

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

JUNE 30, 2014

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-16
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 18
Statement of Activities	B 19
Governmental Fund Financial Statements:	
Balance Sheet	C 20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D 21
Statement of Revenues, Expenditures and Changes in Fund Balances	E 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 23
Proprietary Fund Financial Statements:	
Statement of Net Position	G 24
Statement of Revenues, Expenditures and Changes in Fund Net Position	H 25
Statement of Cash Flows	I 26
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	J 27
Notes to Financial Statements	28-40
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	42
Notes to Required Supplementary Information - Budgetary Reporting	43
Schedule of Funding Progress for the Retiree Health Plan	44
Component Unit Financial Statements:	
Statement of Assets, Liabilities, and Net Position - Cash Basis	45
Statement of Revenues, Expenses and Changes in Net Position - Cash Basis	46
Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds	
Combining Balance Sheet	1 48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 49
Capital Projects Accounts:	
Combining Balance Sheet	3 50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4 51
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5 52
Internal Service Funds:	
Combining Statement of Net Position	6 53
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	7 54
Combining Statement of Cash Flows	8 55
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	9 56
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	10 57
Schedule of Expenditures of Federal Awards	11 58
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 <u>Government Auditing Standards</u>	59-60
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	61-62
Schedule of Findings and Questioned Costs	63-67

Independence Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Brian Eddy	President	2015
Stacy Henderson	Vice President	2013
Rusty Donnelly	Board Member	2015
Eric Smith	Board Member	2015
John Christensen	Board Member	2013
(After September 2013 Election)		
Brian Eddy	President	2015
Shelly Whited	Vice President	2017
Rusty Donnelly	Board Member	2015
Eric Smith	Board Member	2015
Heather Meador	Board Member	2017
School Officials		
Jean Peterson	Superintendent	2014
Lynnette Engel	Board Secretary/Treasurer	2014
Ahlers & Cooney, P.C.	Attorney	2014

Independence Community School District

NOLTE, CORNMAN & JOHNSON P.C.
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:

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management’s Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan and the combining statements for the discretely presented component unit on pages 7 through 16 and 42 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Independence Community School District’s basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2015 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 Government Auditing Standards in considering Independence Community School District’s internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 11, 2015
Newton, Iowa

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$15,596,587 in fiscal 2013 to \$16,337,604 in fiscal 2014, while General Fund expenditures increased from \$14,894,614 in fiscal 2013 to \$16,051,830 in fiscal 2014. The District's General Fund balance increased from \$1,671,977 at June 30, 2013 to \$1,957,751 at June 30, 2014.
- The increase in General Fund revenues was attributable to an increase in local and state sources. The increase in expenditures was due to increased negotiated salaries and benefits paid to District employees compared to the prior year.

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 Position 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.

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

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

Figure A-1
Independence Community School District Annual Financial Report

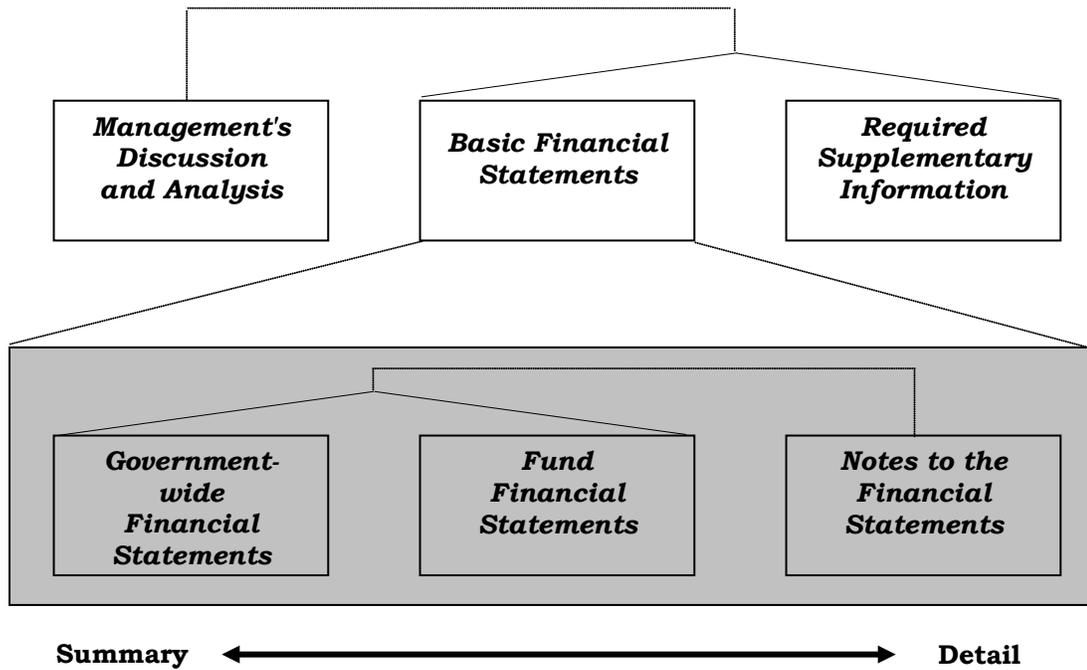


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else,
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • 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 position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 position and how they have changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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 three 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 Funds.

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 two Internal Service Fund accounts accounting for self-funded insurance and employee flex benefits.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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.

- Agency Fund - These are funds through which the District administers and accounts for certain revenue collected for District employee purchases.

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 Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 14,740,514	18,707,460	245,793	253,903	14,986,307	18,961,363	-20.96%
Capital assets	31,254,352	26,396,590	305,127	44,081	31,559,479	26,440,671	19.36%
Total assets	45,994,866	45,104,050	550,920	297,984	46,545,786	45,402,034	2.52%
Long-term liabilities	19,539,532	20,718,780	8,598	7,798	19,548,130	20,726,578	-5.69%
Other liabilities	2,510,523	3,287,839	61,273	62,073	2,571,796	3,349,912	-23.23%
Total liabilities	22,050,055	24,006,619	60,734	69,871	22,119,926	24,076,490	-8.13%
Deferred inflows of resources	6,748,129	6,935,297	-	-	6,748,129	6,935,297	-2.70%
Net position:							
Net investment in capital assets	13,024,127	7,708,998	305,127	44,081	13,329,254	7,753,079	71.92%
Restricted	2,746,642	5,011,787	-	-	2,746,642	5,011,787	-45.20%
Unrestricted	1,425,913	1,441,349	185,059	184,032	1,610,972	1,625,381	-0.89%
Total net position	\$ 17,196,682	14,162,134	490,186	228,113	17,686,868	14,390,247	22.91%

The District's combined net position increased by 22.91%, or \$3,296,621, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$2,265,145, or 45.20% from the prior year. This was the result of a decrease in the Capital Projects: Statewide Sales, Services and Use Tax Fund and the Junior-Senior High Support Trust Fund balances during the year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$14,409 or 0.89%.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to June 30, 2013.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change 2013-14
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 1,489,551	1,352,794	348,961	356,082	1,838,512	1,708,876	7.59%
Operating grants, contributions and restricted interest	1,560,693	1,443,918	375,612	342,410	1,936,305	1,786,328	8.40%
Capital grants, contributions and restricted interest	913,131	3,426,270	-	-	913,131	3,426,270	-73.35%
General revenues:							
Property tax	6,891,582	6,769,886	-	-	6,891,582	6,769,886	1.80%
Income surtax	628,292	631,161	-	-	628,292	631,161	-0.45%
Statewide sales, services and use tax	1,211,125	1,164,700	-	-	1,211,125	1,164,700	3.99%
Unrestricted state grants	7,708,506	7,460,029	-	-	7,708,506	7,460,029	3.33%
Unrestricted interest income	13,789	38,777	428	530	14,217	39,307	-63.83%
Other	129,759	96,787	8,553	2,414	138,312	99,201	39.43%
Total revenues	20,546,428	22,384,322	733,554	701,436	21,279,982	23,085,758	-7.82%
Program expenses:							
Instruction	11,352,643	11,984,053	-	-	11,352,643	11,984,053	-5.27%
Support services	4,137,512	5,094,738	-	4,451	4,137,512	5,099,189	-18.86%
Non-instructional programs	1,200	1,958	732,751	667,722	733,951	669,680	9.60%
Other expenses	1,759,255	1,201,677	-	-	1,759,255	1,201,677	46.40%
Total expenses	17,250,610	18,282,426	732,751	672,173	17,983,361	18,954,599	-5.12%
Excess of revenues over expenses	3,295,818	4,101,896	803	29,263	3,296,621	4,131,159	-20.20%
Transfers	(261,270)	482	261,270	(482)	-	-	0.00%
Change in net position	3,034,548	4,102,378	262,073	28,781	3,296,621	4,131,159	-20.20%
Net position beginning of year	14,162,134	10,059,756	228,113	199,332	14,390,247	10,259,088	40.27%
Net position end of year	\$ 17,196,682	14,162,134	490,186	228,113	17,686,868	14,390,247	22.91%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 80.01% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.78% of the revenue from business type activities.

The District's total revenues were approximately \$21.28 million of which approximately \$20.55 million was for governmental activities and approximately \$0.73 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.82% decrease in revenues and a 5.12% decrease in expenses. The decrease in revenues was a result of less capital contributions received due to the District completing construction of the new Junior/Senior High School Building during fiscal 2014. The decrease in expenditures in primarily due to a decrease in support service expenditures incurred during the year.

Governmental Activities

Revenues for governmental activities were \$20,546,428 and expenses were \$17,250,610 for the year ended June 30, 2014.

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, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 11,352,643	11,984,053	-5.27%	8,952,468	9,778,032	-8.44%
Support services	4,137,512	5,094,738	-18.79%	3,175,701	1,655,203	91.86%
Non-instructional programs	1,200	1,958	-38.71%	1,200	1,958	-38.71%
Other expenses	1,759,255	1,201,677	46.40%	1,157,866	624,251	85.48%
Totals	\$ 17,250,610	18,282,426	-5.64%	13,287,235	12,059,444	10.18%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,489,551.
- Federal and state governments along with donations from local organizations subsidized certain programs with grants and contributions totaling \$2,473,824.
- The net cost of governmental activities was financed with \$6,891,582 in property tax, \$628,292 in income surtax, \$1,211,125 in statewide sales, services and use tax, \$7,708,506 in unrestricted state grants, \$13,789 in interest income and \$129,759 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$733,554 and expenses were \$732,751. 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, investment income, and other general revenues.

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 \$4,447,294, which is less than last year's ending fund balances of \$7,669,322. This decrease is primarily a result of the District spending prior year unspent bond proceeds on finishing the construction of the new Junior/Senior High school building.

Governmental Fund Highlights

- The General Fund balance increased from \$1,671,977 at June 30, 2013 to \$1,957,751 at June 30, 2014, due in part to the increase in local and state source revenues.
- The Capital Projects Fund balance decreased from \$4,038,411 at June 30, 2013 to \$949,911 at June 30, 2014. This decrease was primarily due to the district spending prior year unspent bond proceeds and capital outlay expenditures on the new Junior/Senior High building. Expenditures exceeded revenues during the year leading to the decrease in fund balance.
- The District's Debt Service Fund balance increase from \$660,176 at June 30, 2013 to \$678,278. This increase is primarily due to an increase in transfers received from other funds as well as total revenues exceeding expenditures during the year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$228,113 at June 30, 2013 to \$490,186 at June 30, 2014, representing an increase of 114.89%. This increase is primarily due to capital contributions received during the year for the new kitchen as part of the newly constructed Junior and Senior High School Building.

BUDGETARY HIGHLIGHTS

Over the course of the year Independence Community School District amended its budget one time to reflect additional expenditures associated with staffing and equipment requirements in the non-instructional programs function and additional costs associated with the District's capital projects in the other expenditures functional area.

The District's revenues were \$1,465,197 more than budgeted revenues, a variance of 7.38%. The most significant variance resulted from the District receiving more 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and non-instructional programs functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$31.60 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6)

This amount represents a net increase of 19.36% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$922,174.

The original cost of the District's capital assets was approximately \$38.90 million. Governmental funds account for approximately \$38.38 million with the remainder of approximately \$0.52 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$3,757,807 at June 30, 2013, compared to \$28,836,032 reported at June 30, 2014. This significant increase resulted from the District completing work on the new junior senior high school building during the year and capitalizing it as part of the District's capital asset listing.

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
	Land	\$ 1,141,353	1,141,353	-	-	1,141,353	1,141,353
Construction in progress	107,507	20,588,107	-	-	107,507	20,588,107	-99.48%
Buildings	28,836,032	3,757,807	-	-	28,836,032	3,757,807	667.36%
Land improvements	427,610	234,850	-	-	427,610	234,850	82.08%
Machinery and equipment	741,850	674,473	305,127	44,081	1,046,977	718,554	45.71%
Total	\$ 31,254,352	26,396,590	305,127	44,081	31,559,479	26,440,671	19.36%

Long-Term Debt

At June 30, 2014, the District had \$19,548,130 in general obligation and other long-term debt outstanding. This represents a decrease of 5.69% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding Revenue Bond indebtedness at June 30, 2014 of \$7,340,000 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding General Obligation Bond indebtedness at June 30, 2014 of \$10,920,000 payable from the Debt Service Fund.

The District had total outstanding Computer Lease indebtedness at June 30, 2014 of \$359,847 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding Termination Benefits payable from the Special Revenue - Management Levy Fund of \$338,613 at June 30, 2014.

The District had total outstanding Compensated Absences payable from the General Fund of \$58,940 at June 30, 2014.

The District had outstanding Net OPEB liability at June 30, 2014 of \$530,730. The Governmental Activities account for \$522,132 of this total while Business Type Activities account for the remaining \$8,598.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenue bonds	\$ 7,340,000	7,715,000	-	-	7,340,000	7,715,000	-4.86%
General obligation bonds	10,920,000	11,690,000	-	-	10,920,000	11,690,000	-6.59%
Computer lease	359,847	475,000	-	-	359,847	475,000	-24.24%
Termination benefits	338,613	366,573	-	-	338,613	366,573	-7.63%
Compensated absences	58,940	58,396	-	-	58,940	58,396	0.93%
Net OPEB liability	522,132	413,811	8,598	7,798	530,730	421,609	25.88%
Totals	\$ 19,539,532	20,718,780	8,598	7,798	19,548,130	20,726,578	-5.69%

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:

- Continued budget concerns at the state level will affect future projections. The District will need to shift funding to property taxes and look at possible cuts.
- The District's enrollment has remained steady to a slight increase which has helped offset the decrease in state funding.

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 POSITION
JUNE 30, 2014

	Primary Government			Component Unit*
	Governmental Activities	Business Type Activities	Total	Mustang Foundation
ASSETS				
Cash and pooled investments	\$ 5,871,212	218,351	6,089,563	682,294
Receivables:				
Property tax:				
Delinquent	61,397	-	61,397	-
Succeeding year	6,748,129	-	6,748,129	-
Income surtax	552,431	-	552,431	-
Accounts	79,930	596	80,526	-
Due from other governments	1,427,415	-	1,427,415	-
Inventories	-	26,846	26,846	-
Capital assets, net of accumulated depreciation/amortization	31,254,352	305,127	31,559,479	-
TOTAL ASSETS	45,994,866	550,920	46,545,786	682,294
LIABILITIES				
Accounts payable	961,535	3,178	964,713	-
Salaries and benefits payable	1,506,655	37,404	1,544,059	-
Advances from student fees	505	-	505	-
Accrued interest payable	41,828	-	41,828	-
Unearned revenue	-	11,554	11,554	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	385,000	-	385,000	-
General obligation bonds	780,000	-	780,000	-
Computer lease payable	117,660	-	117,660	-
Termination benefits	194,257	-	194,257	-
Compensated absences	58,940	-	58,940	-
Portion due after one year:				
Revenue bonds	6,955,000	-	6,955,000	-
General obligation bonds	10,140,000	-	10,140,000	-
Computer lease payable	242,187	-	242,187	-
Termination benefits	144,356	-	144,356	-
Net OPEB liability	522,132	8,598	530,730	-
TOTAL LIABILITIES	22,050,055	60,734	22,110,789	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable property tax revenues	6,748,129	-	6,748,129	-
NET POSITION				
Net investment in capital assets	13,024,127	305,127	13,329,254	-
Restricted for:				
Categorical funding	660,848	-	660,848	-
School infrastructure	742,050	-	742,050	-
Physical plant and equipment	178,086	-	178,086	-
Debt service	636,450	-	636,450	-
Management levy purposes	375,269	-	375,269	-
Student activities	153,939	-	153,939	-
Unrestricted	1,425,913	185,059	1,610,972	682,294
TOTAL NET POSITION	\$ 17,196,682	490,186	17,686,868	682,294

* The component unit year end is December 31, 2013.

SEE NOTES TO FINANCIAL STATEMENTS.

**INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit**
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government			
					Governmental Activities	Business Type Activities	Total	
								Mustang Foundation
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 5,895,592	443,211	167,745	-	(5,284,636)	-	(5,284,636)	-
Special	2,900,406	649,897	204,864	-	(2,045,645)	-	(2,045,645)	-
Other	2,556,645	363,388	571,070	-	(1,622,187)	-	(1,622,187)	-
	<u>11,352,643</u>	<u>1,456,496</u>	<u>943,679</u>	<u>-</u>	<u>(8,952,468)</u>	<u>-</u>	<u>(8,952,468)</u>	<u>-</u>
Support services:								
Student	525,869	-	-	-	(525,869)	-	(525,869)	-
Instructional staff	314,180	-	-	-	(314,180)	-	(314,180)	-
Administration	1,563,674	-	-	-	(1,563,674)	-	(1,563,674)	-
Operation and maintenance of plant	1,112,013	-	-	913,131	(198,882)	-	(198,882)	-
Transportation	621,776	33,055	15,625	-	(573,096)	-	(573,096)	-
	<u>4,137,512</u>	<u>33,055</u>	<u>15,625</u>	<u>913,131</u>	<u>(3,175,701)</u>	<u>-</u>	<u>(3,175,701)</u>	<u>-</u>
Non-instructional programs:								
Other enterprise operations	1,200	-	-	-	(1,200)	-	(1,200)	-
Long-term debt interest	471,110	-	-	-	(471,110)	-	(471,110)	-
Other expenditures:								
AEA flowthrough	601,389	-	601,389	-	-	-	-	-
Depreciation(unallocated)*	686,756	-	-	-	(686,756)	-	(686,756)	-
	<u>1,288,145</u>	<u>-</u>	<u>601,389</u>	<u>-</u>	<u>(686,756)</u>	<u>-</u>	<u>(686,756)</u>	<u>-</u>
Total governmental activities	<u>17,250,610</u>	<u>1,489,551</u>	<u>1,560,693</u>	<u>913,131</u>	<u>(13,287,235)</u>	<u>-</u>	<u>(13,287,235)</u>	<u>-</u>
Business Type activities:								
Non-instructional programs:								
Food service operations	732,751	348,961	375,612	-	-	(8,178)	(8,178)	-
Total primary government	<u>\$ 17,983,361</u>	<u>1,838,512</u>	<u>1,936,305</u>	<u>913,131</u>	<u>(13,287,235)</u>	<u>(8,178)</u>	<u>(13,295,413)</u>	<u>-</u>
Total component unit	<u>\$ 2,063,272</u>	<u>43,318</u>	<u>722,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,297,284)</u>
General Revenues and Transfers:								
Property tax levied for:								
General purposes					\$ 5,552,298	-	5,552,298	-
Debt service					1,045,397	-	1,045,397	-
Capital outlay					293,887	-	293,887	-
Income surtax					628,292	-	628,292	-
Statewide sales, services and use tax					1,211,125	-	1,211,125	-
Unrestricted state grants					7,708,506	-	7,708,506	-
Unrestricted investment earnings					13,789	428	14,217	7,958
Unrealized gain or loss on investments					-	-	-	4,396
Other general revenues					129,759	8,553	138,312	57,172
Transfers					(261,270)	261,270	-	-
Total general revenues and transfers					<u>16,321,783</u>	<u>270,251</u>	<u>16,592,034</u>	<u>69,526</u>
Change in net position					<u>3,034,548</u>	<u>262,073</u>	<u>3,296,621</u>	<u>(1,227,758)</u>
Net position beginning of year					<u>14,162,134</u>	<u>228,113</u>	<u>14,390,247</u>	<u>1,910,052</u>
Net position end of year					<u>\$ 17,196,682</u>	<u>490,186</u>	<u>17,686,868</u>	<u>682,294</u>

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

** The component unit is for year ended December 31, 2013.

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 3,217,353	598,811	668,943	862,140	5,347,247
Receivables:					
Property tax					
Delinquent	46,183	2,624	9,335	3,255	61,397
Succeeding year	5,123,776	296,860	1,027,493	300,000	6,748,129
Income surtax	552,431	-	-	-	552,431
Accounts	75,572	-	-	4,358	79,930
Due from other governments	926,193	501,222	-	-	1,427,415
TOTAL ASSETS	\$ 9,941,508	1,399,517	1,705,771	1,169,753	14,216,549
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 800,390	152,746	-	8,399	961,535
Salaries and benefits payable	1,506,655	-	-	-	1,506,655
Advances from student fees	505	-	-	-	505
Total liabilities	2,307,550	152,746	-	8,399	2,468,695
Deferred inflows of resources					
Unavailable revenue:					
Succeeding year property tax	5,123,776	296,860	1,027,493	300,000	6,748,129
Income surtax	552,431	-	-	-	552,431
Total deferred inflows of resources	5,676,207	296,860	1,027,493	300,000	7,300,560
Fund balances:					
Restricted for:					
Categorical funding	660,848	-	-	-	660,848
School infrastructure	-	771,825	-	-	771,825
Physical plant and equipment	-	178,086	-	-	178,086
Debt service	-	-	678,278	-	678,278
Management levy purposes	-	-	-	713,882	713,882
Student activities	-	-	-	153,939	153,939
Unassigned for:					
General Fund	1,296,903	-	-	-	1,296,903
Student activities	-	-	-	(6,467)	(6,467)
Total fund balances	1,957,751	949,911	678,278	861,354	4,447,294
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,941,508	1,399,517	1,705,771	1,169,753	14,216,549

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$ 4,447,294
<i>Amounts reported for governmental activities in the Statement of Net Position 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.	31,254,352
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.	(41,828)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	523,965
Accounts receivable income surtax is not yet available to pay current year expenditures and therefore, is recognized as a deferred inflow of resources in the governmental funds.	552,431
Long-term liabilities, including bonds payable, leases payable, termination benefits 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>(19,539,532)</u>
Net position of governmental activities(page 18)	<u><u>\$ 17,196,682</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 5,855,325	293,887	1,045,397	365,548	7,560,157
Tuition	1,010,851	-	-	-	1,010,851
Other	336,622	845,856	44	418,710	1,601,232
State sources	8,652,519	1,219,242	597	210	9,872,568
Federal sources	482,287	59,616	-	-	541,903
Total revenues	16,337,604	2,418,601	1,046,038	784,468	20,586,711
EXPENDITURES:					
Current:					
Instruction:					
Regular	5,675,460	297,028	-	201,792	6,174,280
Special	3,068,749	-	-	-	3,068,749
Other	2,314,359	-	-	428,309	2,742,668
	11,058,568	297,028	-	630,101	11,985,697
Support services:					
Student	557,066	-	-	-	557,066
Instructional staff	332,750	1,628	-	35,028	369,406
Administration	1,598,932	17,579	-	1,934	1,618,445
Operation and maintenance of plant	1,355,319	38,648	-	113,935	1,507,902
Transportation	546,606	137,797	-	21,683	706,086
	4,390,673	195,652	-	172,580	4,758,905
Non-instructional programs:					
Other enterprise operations	1,200	-	-	-	1,200
Capital outlay					
	-	4,729,768	-	-	4,729,768
Long-term debt:					
Principal	-	-	1,260,153	-	1,260,153
Interest and fiscal charges	-	-	471,627	-	471,627
	-	-	1,731,780	-	1,731,780
Other expenditures:					
AEA flowthrough	601,389	-	-	-	601,389
Total expenditures	16,051,830	5,222,448	1,731,780	802,681	23,808,739
Excess(Deficiency) of revenues over(under) expenditures	285,774	(2,803,847)	(685,742)	(18,213)	(3,222,028)
Other financing sources(uses):					
Transfer in	-	419,191	703,844	-	1,123,035
Transfer out	-	(703,844)	-	(419,191)	(1,123,035)
Total other financing sources(uses)	-	(284,653)	703,844	(419,191)	-
Change in fund balances	285,774	(3,088,500)	18,102	(437,404)	(3,222,028)
Fund balances beginning of year	1,671,977	4,038,411	660,176	1,298,758	7,669,322
Fund balances end of year	\$ 1,957,751	949,911	678,278	861,354	4,447,294

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds(page 22) \$ (3,222,028)

*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. Capital outlays expenditures exceed depreciation expense in the current year as follows:

Capital outlays	\$ 5,751,465	
Depreciation expense	<u>(893,703)</u>	4,857,762

Income surtax accounts receivable is not available revenue and is recognized as deferred inflows of resources in the governmental funds. (40,283)

Repayments of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,260,153

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. 517

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 259,332

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, as follows:

Termination benefits	27,960	
Compensated absences	(544)	
Other postemployment benefits	<u>(108,321)</u>	<u>(80,905)</u>

Change in net position of governmental activities(page 19) \$ 3,034,548

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
<u>ASSETS</u>		
Current assets:		
Cash and pooled investments	\$ 218,351	523,965
Accounts receivable	596	-
Inventories	26,846	-
Total current assets	<u>245,793</u>	<u>523,965</u>
Non-current assets:		
Capital assets, net of accumulated depreciation	305,127	-
TOTAL ASSETS	<u>550,920</u>	<u>523,965</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	3,178	-
Salaries and benefits payable	37,404	-
Unearned revenue	11,554	-
Total current liabilities	<u>52,136</u>	<u>-</u>
Noncurrent liabilities:		
Net OPEB liability	8,598	-
TOTAL LIABILITIES	<u>60,734</u>	<u>-</u>
<u>NET POSITION</u>		
Net investment in capital assets	305,127	-
Unrestricted	185,059	523,965
TOTAL NET POSITION	<u>\$ 490,186</u>	<u>523,965</u>

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 348,961	-
Donations	450	-
Miscellaneous	8,553	526,197
Total operating revenues	<u>357,964</u>	<u>526,197</u>
OPERATING EXPENSES:		
Instruction:		
Regular:		
Benefits	-	106,376
Support services:		
Student:		
Benefits	-	104,435
Instructional staff:		
Benefits	-	4,451
Administration:		
Benefits	-	38,901
Operation and maintenance of plant:		
Benefits	-	12,751
Total support services	<u>-</u>	<u>160,538</u>
Non-instructional programs:		
Food service operations:		
Salaries	242,092	-
Benefits	58,030	-
Services	9,128	-
Supplies	378,269	-
Depreciation	28,471	-
Other	15,805	-
Total non-instructional programs	<u>731,795</u>	<u>-</u>
Total operating expenses	<u>731,795</u>	<u>266,914</u>
OPERATING INCOME(LOSS)	<u>(373,831)</u>	<u>259,283</u>
NON-OPERATING REVENUES(EXPENSES):		
Loss on disposal of capital assets	(956)	-
State sources	5,587	-
Federal sources	369,575	-
Interest on investments	428	49
Total non-operating revenues(expenses)	<u>374,634</u>	<u>49</u>
Change in net position before capital contributions	803	259,332
Capital contributions	<u>261,270</u>	<u>-</u>
Change in net position	262,073	259,332
Net position beginning of year	<u>228,113</u>	<u>264,633</u>
Net position end of year	<u>\$ 490,186</u>	<u>523,965</u>

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 354,088	-
Cash received from miscellaneous sources	8,553	526,197
Cash received from donations	450	-
Cash payments to employees for services	(296,836)	(100,643)
Cash payments to suppliers for goods or services	(351,301)	(166,271)
Net cash provided by(used in) operating activities	<u>(285,046)</u>	<u>259,283</u>
State grants received	5,587	-
Federal grants received	291,158	-
Net cash provided by non-capital financing activities	<u>296,745</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(29,203)</u>	<u>-</u>
Cash flows from investing activities:		
Net cash provided by investing activities	<u>428</u>	<u>49</u>
Net increase(decrease) in cash and cash equivalents	(17,076)	259,332
Cash and cash equivalents beginning of year	<u>235,427</u>	<u>264,633</u>
Cash and cash equivalents end of year	<u>\$ 218,351</u>	<u>523,965</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (373,831)	259,283
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities used	78,417	-
Depreciation	28,471	-
Increase in inventories	(8,370)	-
Increase in accounts receivable	(596)	-
Decrease in accounts payable	(18,146)	-
Increase in salaries and benefits payable	2,486	-
Increase in unearned revenue	5,723	-
Increase in other postemployment benefits	800	-
Net cash provided by(used in) operating activities	<u>\$ (285,046)</u>	<u>259,283</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$78,417.

During the year ended June 30, 2014, the Nutrition Fund received capital contributions from the Capital Projects: Statewide Sales, Service and Use Tax Fund of \$290,743.

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ 7,268
LIABILITIES	
Accounts payable	74
Due to other groups	7,194
TOTAL LIABILITIES	<u>\$ 7,268</u>

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 and Benton Counties. 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 Position 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 Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets. Unspent bond proceeds for construction purposes have been added back to net investment in capital assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts as well as the District's Internal Service Funds.

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District also reports the non-major following proprietary funds:

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

The Internal Service Fund is used to account for the flexible health and childcare benefits program offered by the District and the District's partially self-funded health insurance. The Internal Service Fund is charged back to the Governmental funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

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. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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.

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, Deferred Inflows of Resources and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balance of most District funds are pooled and invested.

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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 - Inventories are valued at cost using the first-in, first-out method for purchased items and governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or 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 Position. 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	5-15 years

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

Advances from Student Fees - Registration proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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 Position 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 Position 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, 2014. 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 Position.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

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

Fund Balances - 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 preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014 expenditures in the support services and non-instructional programs functional areas exceeded the budgeted amounts.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 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. At June 30, 2013, the District had no investments.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 703,844
Capital Projects: Statewide Sales, Services and Use Tax	Special Revenue: Jr/Sr High Support Trust	419,191
Total		<u>\$ 1,123,035</u>

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 and computer lease indebtedness.

The transfer from the Special Revenue: Jr/Sr. High Support Trust Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund to move revenue collected for the new junior-senior high school construction to the Capital Projects fund where it could be legally spent.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business type activities:				
Machinery and equipment	\$ 250,941	290,473	19,106	522,308
Less accumulated depreciation	206,860	28,471	18,150	217,181
Business type activities capital assets, net	<u>\$ 44,081</u>	<u>262,002</u>	<u>956</u>	<u>305,127</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,141,353	-	-	1,141,353
Construction in progress	20,588,107	5,227,477	25,708,077	107,507
Total capital assets not being depreciated	21,729,460	5,227,477	25,708,077	1,248,860
Capital assets being depreciated:				
Buildings	7,696,880	25,731,233	-	33,428,113
Land improvements	1,243,623	226,508	-	1,470,131
Machinery and equipment	2,131,071	274,324	172,069	2,233,326
Total capital assets being depreciated	11,071,574	26,232,065	172,069	37,131,570
Less accumulated depreciation for:				
Buildings	3,939,073	653,008	-	4,592,081
Land improvements	1,008,773	33,748	-	1,042,521
Machinery and equipment	1,456,598	206,947	172,069	1,491,476
Total accumulated depreciation	6,404,444	893,703	172,069	7,126,078
Total capital assets being depreciated, net	4,667,130	25,338,362	-	30,005,492
Governmental activities capital assets, net	\$ 26,396,590	30,565,839	25,708,077	31,254,352

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 38,289
Special	4,857
Other	17,822
Support services:	
Administration	35,939
Operation and maintenance of plant	26,806
Transportation	83,234
	206,947
Unallocated depreciation	686,756
Total governmental activities depreciation expense	\$ 893,703
Business type activities:	
Food service operations	\$ 28,471

Note 5. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 7,715,000	-	375,000	7,340,000	385,000
General Obligation Bonds	11,690,000	-	770,000	10,920,000	780,000
Computer Lease	475,000	-	115,153	359,847	117,660
Termination Benefits	366,573	150,169	178,129	338,613	194,257
Compensated Absences	58,396	58,940	58,396	58,940	58,940
Net OPEB Liability	413,811	108,321	-	522,132	-
Total	\$ 20,718,780	317,430	1,496,678	19,539,532	1,535,857
<u>Business Type Activities:</u>					
Net OPEB Liability	\$ 7,798	800	-	8,598	-

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 1, 2011				
	Rate	Principal	Interest	Total	
2015	2.00 %	\$ 385,000	197,358	582,358	
2016	2.00	395,000	189,657	584,657	
2017	2.00	410,000	181,758	591,758	
2018	2.00	420,000	173,557	593,557	
2019	2.15	435,000	165,158	600,158	
2020-2024	2.30-2.85	2,405,000	664,874	3,069,874	
2025-2029	3.00-3.40	2,890,000	293,173	3,183,173	
Total		\$ 7,340,000	1,865,535	9,205,535	

The District has pledged future statewide sales, services and use tax revenues to repay the \$8,115,000 of bonds issues December 2011. 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 2029. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 48% of the statewide sales, services and use tax revenues. The total principal and interest paid remaining to be paid is \$9,205,535. For the current year \$375,000 in principal and \$204,858 in interest was paid on the bonds and total statewide sales and services tax revenues were \$1,211,125.

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

- a) \$646,250 of the proceeds from the issuance of the revenue bonds shall be deposited to the reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- 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.

General Obligation

Details of the Districts June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2012			Bond Issue May 1, 2013			Total		
	Rate	Principal	Interest	Rate	Principal	Interest	Principal	Interest	Total
2015	2.00 %	\$ 400,000	231,025	0.45 %	\$ 380,000	16,468	\$ 780,000	247,493	1,027,493
2016	2.00	410,000	223,025	0.55	385,000	14,758	795,000	237,783	1,032,783
2017	2.00	420,000	214,825	0.70	395,000	12,640	815,000	227,465	1,042,465
2018	2.00	425,000	206,425	0.90	400,000	9,875	825,000	216,300	1,041,300
2019	2.00	435,000	197,925	1.10	405,000	6,275	840,000	204,200	1,044,200
2020-2024	2.00-2.60	2,320,000	847,000	1.30	140,000	1,820	2,460,000	848,820	3,308,820
2025-2029	2.70-3.10	2,630,000	531,610	-	-	-	2,630,000	531,610	3,161,610
2030-2032	3.20-3.40	1,775,000	119,560	-	-	-	1,775,000	119,560	1,894,560
Total		<u>\$ 8,815,000</u>	<u>2,571,395</u>		<u>\$ 2,105,000</u>	<u>61,835</u>	<u>\$ 10,920,000</u>	<u>2,633,230</u>	<u>13,553,230</u>

Computer Lease

On May 21, 2013, the District entered into a lease-purchase agreement for computers. The lease is scheduled to be repaid as follows from the Capital Projects: Statewide Sales, Services and Use Tax Fund:

Year Ending June 30,	Computer Lease Issue of May 21, 2013			
	Rate	Principal	Interest	Total
2015	1.90 %	\$ 117,660	6,370	124,030
2016	1.90	119,928	4,102	124,030
2017	1.90	122,259	1,771	124,030
Total		<u>\$ 359,847</u>	<u>12,243</u>	<u>372,090</u>

Termination Benefits

In January 2014, the District approved a voluntary early retirement plan to its certified employees and support staff. The plan was only offered to employees for only one year. 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 subject to approval by the Board of Education.

The early retirement benefit for each eligible certified employee is equal to 50% of the employee's current instructor contract (to include career increment and extended days) plus \$50 per day of sick leave accrued by June 30, 2014, not to exceed 120 days. The early retirement benefit for each eligible classified employee is equal to 40% of the employee's contracted annual salary (not to include supplemental or extra hours) plus addition to \$30 per day of sick leave accrued by June 30, 2014, not to exceed 115 days.

The policy requires early retirement benefits to be paid out in one lump sum into a 403(b) retirement plan in accordance with Internal Revenue service guidelines and board determined plan for both certified and support staff employees.

At June 30, 2014, the District has obligations to four participants with a total liability of \$150,169. The District also has obligations to nine retirees from previous fiscal years totaling \$188,444. Total termination benefits payable is \$338,613. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$178,129. 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 6. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 153 active and 20 retired members in the plan. Retired 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 150,308
Interest on net OPEB obligation	10,540
Adjustment to annual required contribution	(26,133)
Annual OPEB cost	<u>134,715</u>
Contributions made	<u>(25,594)</u>
Increase in net OPEB obligation	109,121
Net OPEB obligation beginning of year	421,609
Net OPEB obligation end of year	<u><u>\$ 530,730</u></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, 2014.

For the year ended June 30, 2014, the District contributed \$25,594 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 192,656	13.34%	\$ 319,419
2013	126,529	19.24	421,609
2014	134,715	19.00	530,730

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$865,828 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$865,828. The covered payroll (annual payroll of active employees covered by the plan) was \$8,147,537 and the ratio of the UAAL to covered payroll was 10.6%. As of June 30, 2014, 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 for the Retiree Health Plan, 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, 2011 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include 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: Alliance Select single for \$558.24 per month; Alliance Select family for \$1,395.60 per month; Blue Access 2 single for \$520.17 per month; Blue Access 2 family for \$1,300.43 per month; Blue Access 3 single for \$470.80 per month; and Blue Access 3 family for \$1,177.00 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 7. 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 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$795,227, \$743,866 and \$672,082, respectively, equal to the required contributions for each year.

Note 8. 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 9. 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 \$601,389 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

As of June 30, 2014 the District has not entered into any construction contracts. However, at June 30, 2014, the District has architectural fees as construction in progress for a new bus garage. This project is expected to be completed in fiscal 2015. Once, completed, the costs of the projects will be added to the District's capital assets listing.

Note 11. Deficit Account Balance

The District has an account in the Special Revenue, Student Activity Fund with a deficit balance totaling \$6,467.

Note 12. Categorical Funding

The District's restricted balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited english proficient	\$ 13,459
Home school assistance program	27,866
Gifted and talented programs	135,645
Returning dropouts and dropout prevention programs	97,620
Beginning teacher mentoring and induction program	2,890
Teacher salary supplement	164,631
Four-year-old preschool state aid	126,874
Successful progression for early readers	17,708
Professional development for model core curriculum	64,786
Professional development	8,950
State decategorization grant	419
Total	<u>\$ 660,848</u>

Note 13. Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2014, expenditures in the support services, and non-instructional programs functional areas exceeded the certified budget.

Note 14. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is the following:

	Net Investment in Capital Assets	Management Levy	School Infrastructure	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	713,882	771,825	678,278	1,296,903
Capital assets, net of accumulated depreciation	31,254,352	-	-	-	-
General obligation bond capitalized indebtedness	(10,920,000)	-	-	-	-
Revenue bond capitalized indebtedness	(7,310,225)	-	-	-	-
Unspent revenue bond proceeds	-	-	(29,775)	-	-
Computer lease indebtedness	-	-	-	-	(359,847)
Termination benefits	-	(338,613)	-	-	-
Accrued interest payable	-	-	-	(41,828)	-
Income surtax	-	-	-	-	552,431
Unassigned student activities	-	-	-	-	(6,467)
Internal service fund	-	-	-	-	523,965
Compensated absences	-	-	-	-	(58,940)
Net OPEB liability	-	-	-	-	(522,132)
Net position (Exhibit A)	\$ 13,024,127	375,269	742,050	636,450	1,425,913

Note 15. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions - an Amendment to GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 10,172,240	358,392	10,530,632	10,567,861	10,567,861	(37,229)
State sources	9,872,568	5,587	9,878,155	8,348,167	8,348,167	1,529,988
Federal sources	541,903	369,575	911,478	939,040	939,040	(27,562)
Total revenues	20,586,711	733,554	21,320,265	19,855,068	19,855,068	1,465,197
Expenditures/Expenses:						
Instruction	11,985,697	-	11,985,697	13,150,000	13,150,000	1,164,303
Support services	4,758,905	-	4,758,905	4,596,200	4,596,200	(162,705)
Non-instructional programs	1,200	732,751	733,951	627,500	695,250	(38,701)
Other expenditures	7,062,937	-	7,062,937	7,697,246	8,755,235	1,692,298
Total expenditures/expenses	23,808,739	732,751	24,541,490	26,070,946	27,196,685	2,655,195
Excess(Deficiency) of revenues over(under) expenditures/expenses	(3,222,028)	803	(3,221,225)	(6,215,878)	(7,341,617)	4,120,392
Other financing sources, net	-	261,270	261,270	-	-	261,270
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/ expenses	(3,222,028)	262,073	(2,959,955)	(6,215,878)	(7,341,617)	4,381,662
Balances beginning of year	7,669,322	228,113	7,897,435	10,675,377	10,675,377	(2,777,942)
Balances end of year	\$ 4,447,294	490,186	4,937,480	4,459,499	3,333,760	1,603,720

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,125,739.

During the year ended June 30, 2014, the expenditures in the support services and non-instructional programs functional areas exceeded the certified budget.

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
2012	July 1, 2011	-	954,112	954,112	0.0	7,888,119	12.1
2013	July 1, 2011	-	920,151	920,151	0.0	8,687,421	10.6
2014	July 1, 2011	-	865,828	865,828	0.0	8,147,537	10.6

See Note 6 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 POSITION - CASH BASIS
COMPONENT UNIT
DECEMBER 31, 2013

	Mustang Foundation
ASSETS	
Cash and pooled investments	\$ 682,294
LIABILITIES	
	-
NET POSITION	
Unrestricted	\$ 682,294

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CASH BASIS
COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2013

	Mustang Foundation
Revenue:	
Contributions, gifts, grants and similar amounts	\$ 722,670
Investment income	7,958
Fundraising events	37,383
Program service	5,935
Unrealized gains on investments\	4,396
Other	57,172
Total revenue	835,514
Expenses:	
Grants and similar amounts paid:	
Grants	2,014,484
Other:	
Bank fees	332
Accounting	1,823
Advertising	596
Office expenses	4,819
Other	41,218
Total expenses	2,063,272
Change in net position	(1,227,758)
Net position beginning of year	1,910,052
Net position end of year	\$ 682,294

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue			
	Manage- ment Levy	Student Activity	Jr/Sr. High Support Trust	Total
ASSETS				
Cash and pooled investments	\$ 710,627	151,489	24	862,140
Receivables:				
Property tax:				
Delinquent	3,255	-	-	3,255
Succeeding year	300,000	-	-	300,000
Accounts	-	4,358	-	4,358
TOTAL ASSETS	\$ 1,013,882	155,847	24	1,169,753
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	8,375	24	8,399
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	300,000	-	-	300,000
Fund balances:				
Restricted for:				
Management levy purposes	713,882	-	-	713,882
Student activities	-	153,939	-	153,939
Unassigned	-	(6,467)	-	(6,467)
Total fund balances	713,882	147,472	-	861,354
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,013,882	155,847	24	1,169,753

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue			Total
	Manage- ment Levy	Student Activity	Jr/Sr. High Support Trust	
REVENUES:				
Local sources:				
Local tax	\$ 365,548	-	-	365,548
Other	9,607	403,901	5,202	418,710
State sources	210	-	-	210
TOTAL REVENUES	375,365	403,901	5,202	784,468
EXPENDITURES:				
Current:				
Instruction				
Regular	201,792	-	-	201,792
Other	34,322	393,987	-	428,309
Support services:				
Instructional staff	35,028	-	-	35,028
Administration	1,910	-	24	1,934
Operation and maintenance of plant	113,935	-	-	113,935
Transportation	21,683	-	-	21,683
TOTAL EXPENDITURES	408,670	393,987	24	802,681
Excess(Deficiency) of revenues over (under)expenditures	(33,305)	9,914	5,178	(18,213)
OTHER FINANCING USES:				
Transfer out	-	-	(419,191)	(419,191)
Change in fund balances	(33,305)	9,914	(414,013)	(437,404)
Fund balances beginning of year	747,187	137,558	414,013	1,298,758
Fund balances end of year	\$ 713,882	147,472	-	861,354

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects Funds			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	New J/S High Rev Bond Fund	Total
ASSETS				
Cash and pooled investments	\$ 389,073	179,963	29,775	598,811
Receivables:				
Property tax:				
Delinquent	-	2,624	-	2,624
Succeeding year	-	296,860	-	296,860
Due from other governments	501,222	-	-	501,222
TOTAL ASSETS	\$ 890,295	479,447	29,775	1,399,517
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 148,245	4,501	-	152,746
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	296,860	-	296,860
Fund balances:				
Restricted for:				
School infrastructure	742,050	-	29,775	771,825
Physical plant and equipment	-	178,086	-	178,086
Total fund balances	742,050	178,086	29,775	949,911
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 890,295	479,447	29,775	1,399,517

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, 2014

	Capital Project Funds				Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	New J/S High GO Bond Fund	New J/S High Rev Bond Fund	
REVENUES:					
Local sources:					
Local tax	\$ -	293,887	-	-	293,887
Other	840,566	4,791	234	265	845,856
State sources	1,211,125	168	-	7,949	1,219,242
Federal sources	-	-	-	59,616	59,616
TOTAL REVENUES	2,051,691	298,846	234	67,830	2,418,601
EXPENDITURES:					
Current:					
Instruction:					
Regular	260,776	36,252	-	-	297,028
Support services:					
Instructional staff	-	1,628	-	-	1,628
Administration	1,500	-	-	16,079	17,579
Operation and maintenance of plant	18,900	19,748	-	-	38,648
Transportation	-	137,797	-	-	137,797
Capital outlay	3,468,782	46,368	405,809	808,809	4,729,768
TOTAL EXPENDITURES	3,749,958	241,793	405,809	824,888	5,222,448
Excesss(Deficiency) of revenues over (under) expenditures	(1,698,267)	57,053	(405,575)	(757,058)	(2,803,847)
OTHER FINANCING (SOURCES) USES:					
Transfer in	419,191	-	-	-	419,191
Transfer out	(703,844)	-	-	-	(703,844)
Total other financing (sources) uses	(284,653)	-	-	-	(284,653)
Change in fund balances	(1,982,920)	57,053	(405,575)	(757,058)	(3,088,500)
Fund balances beginning of year	2,724,970	121,033	405,575	786,833	4,038,411
Fund balances end of year	\$ 742,050	178,086	-	29,775	949,911

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
INTEREST	\$ 2,157	-	-	(2,157)	-
HIGH SCHOOL:					
DRAMA	1,583	2,534	963	-	3,154
SPEECH	7,341	4,499	2,586	-	9,254
VOCAL MUSIC	9,006	10,138	7,339	-	11,805
BAND	12,840	25,621	24,872	-	13,589
FOOTBALL CONCESSIONS	-	19,843	19,843	-	-
BOYS CROSS COUNTRY	227	2,791	2,358	-	660
BOWLING	169	3,416	3,585	-	-
BOYS BASKETBALL	1,240	14,652	15,521	-	371
FOOTBALL	4,915	14,210	7,106	-	12,019
BOYS SOCCER	1,816	6,680	5,860	-	2,636
BASEBALL	3,019	11,080	10,010	-	4,089
BOYS TRACK	140	-	61	-	79
BOYS TENNIS	773	130	227	-	676
BOYS GOLF	171	310	390	-	91
WRESTLING	119	4,215	4,035	-	299
GIRLS BASKETBALL	704	4,509	4,275	-	938
VOLEYBALL	7,753	4,667	4,207	-	8,213
GIRLS SOCCER	471	9,316	8,831	-	956
SOFTBALL	2	3,900	3,257	-	645
GIRLS TRACK	223	3,963	4,186	-	-
GIRLS TENNIS	113	1,601	1,652	-	62
GIRLS GOLF	35	30	-	-	65
ACTIVITY	20,096	116,625	130,017	2,157	8,861
HS SPRING CONCESSIONS	-	2,513	2,513	-	-
HS JR/SR HIGH CONCESSIONS	-	34,390	34,390	-	-
MUSICAL	14,412	17,797	18,914	-	13,295
BAND TRIP	26,366	9,639	4,584	-	31,421
AWARDS	500	-	-	-	500
YEARBOOK	(11,161)	17,369	12,675	-	(6,467)
STUDENT COUNCIL	2,358	7,625	7,336	-	2,647
A/V CLUB	-	908	656	-	252
FRENCH CLUB	161	-	-	-	161
GRADUATING CLASS	100	-	-	-	100
CHEERLEADERS	1,864	7,126	7,865	-	1,125
ROBOTICS	-	600	78	-	522
FFA	-	17,021	12,069	-	4,952
MIDDLE SCHOOL:					
BOYS CROSS COUNTRY	386	-	-	-	386
BOYS BASKETBALL	1,011	-	-	-	1,011
FOOTBALL	21	-	21	-	-
BOYS TRACK	18	-	-	-	18
WRESTLING	887	-	-	-	887
GIRLS BASKETBALL	630	-	-	-	630
VOLLEYBALL	623	-	-	-	623
GIRLS TRACK	31	-	-	-	31
FUNDRAISING	4,624	16,220	20,324	-	520
LAND TURNERS CLUB	2,130	2,500	4,593	-	37
BCSC	2,160	1,878	1,311	-	2,727
WEST ELEMENTARY	15,524	3,585	5,477	-	13,632
TOTALS	\$ 137,558	403,901	393,987	-	147,472

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
ASSETS:			
Cash and pooled investments	\$ 471,732	52,233	523,965
LIABILITIES	-	-	-
NET POSITION			
Unrestricted	\$ 471,732	52,233	523,965

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2014

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
OPERATING REVENUES:			
Local sources:			
Miscellaneous	\$ 422,233	103,964	526,197
OPERATING EXPENSES:			
Instruction:			
Regular:			
Benefits	106,376	-	106,376
Support services:			
Student:			
Benefits	3,792	100,643	104,435
Instructional staff:			
Benefits	4,451	-	4,451
Adminstration:			
Benefits	38,901	-	38,901
Operation and maintenance of plant:			
Benefits	12,751	-	12,751
Total support services	59,895	100,643	160,538
Total operating expenses	166,271	100,643	266,914
OPERATING INCOME	255,962	3,321	259,283
NON-OPERATING REVENUES:			
Interest income	-	49	49
Change in net position	255,962	3,370	259,332
Net position beginning of year	215,770	48,863	264,633
Net posiiton end of year	\$ 471,732	52,233	523,965

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

	Governmental Activities:		
	Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
Cash flows from operating activities:			
Cash received from miscellaneous	\$ 422,233	103,964	526,197
Cash payments to employees for services	-	(100,643)	(100,643)
Cash payments to suppliers for goods or services	(166,271)	-	(166,271)
Net cash provided by operating activities	<u>255,962</u>	<u>3,321</u>	<u>259,283</u>
Cash flows from investing activities:			
Interest on investments	-	49	49
Net increase in cash and cash equivalents	255,962	3,370	259,332
Cash and cash equivalents beginning of year	215,770	48,863	264,633
Cash and cash equivalents end of year	<u>\$ 471,732</u>	<u>52,233</u>	<u>523,965</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 255,962	3,321	259,283
Adjustments to reconcile operating income to net cash provided by operating activities	-	-	-
Net cash provided by operating activities	<u>\$ 255,962</u>	<u>3,321</u>	<u>259,283</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 8,019	4,309	5,060	7,268
Accounts receivable	80	-	80	-
TOTAL ASSETS	\$ 8,099	4,309	5,140	7,268
LIABILITIES				
Accounts payable	\$ 177	74	177	74
Due to other groups	7,922	4,235	4,963	7,194
TOTAL LIABILITES	\$ 8,099	4,309	5,140	7,268

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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 7,560,157	8,565,970	6,834,662	6,291,619	6,315,555	5,699,240	5,508,630	5,260,463	5,011,553	4,665,107
Tuition	1,010,851	904,295	814,874	760,709	807,405	925,280	826,479	739,581	662,747	606,646
Other	1,601,232	3,348,263	631,715	572,231	673,449	840,882	1,086,553	812,275	634,415	799,629
State sources	9,872,568	8,414,136	8,548,936	8,135,000	7,255,815	8,060,702	7,801,675	7,439,792	7,073,499	6,761,303
Federal sources	541,903	1,151,881	636,419	802,248	1,419,772	518,891	443,153	951,267	656,204	685,363
Total	\$ 20,586,711	22,384,545	17,466,606	16,561,807	16,471,996	16,044,995	15,666,490	15,203,378	14,038,418	13,518,048
Expenditures:										
Instruction	\$ 11,985,697	12,065,667	11,161,004	10,846,258	10,674,290	11,240,539	10,264,546	9,683,436	8,905,082	9,099,199
Support services:										
Student	557,066	542,217	505,937	442,707	449,996	515,751	497,687	414,230	429,335	339,021
Instructional staff	369,406	372,078	244,893	319,871	402,599	484,002	1,062,218	530,699	554,042	408,158
Administration	1,618,445	1,362,089	1,448,030	1,342,968	1,470,517	1,338,352	1,441,608	1,332,379	1,099,365	1,009,887
Operation and maintenance of plant	1,507,902	1,128,549	1,034,650	1,064,889	1,061,730	1,104,252	1,160,954	1,068,259	1,046,250	987,515
Transportation	706,086	482,288	559,096	510,183	470,334	617,555	439,476	577,204	443,561	396,293
Non-instructional programs	1,200	1,958	1,784	1,724	1,514	1,440	1,558	8,733	1,474	-
Capital outlay	4,729,768	18,700,774	3,525,532	480,325	361,533	458,891	299,440	1,449,724	425,213	704,941
Long-term debt:										
Principal	1,260,153	1,190,000	165,000	160,000	169,334	391,363	282,699	235,000	100,000	100,000
Interest and fiscal charges	471,627	467,583	127,302	9,270	14,500	202,724	16,261	40,470	14,836	12,787
Other expenditures:										
Judgments against LEA	-	-	-	-	-	173,805	-	-	-	-
AEA flow-through	601,389	577,426	591,985	652,768	635,787	554,260	524,432	497,369	465,666	443,869
Total	\$ 23,808,739	36,890,629	19,365,213	15,830,963	15,712,134	17,082,934	15,990,879	15,837,503	13,484,824	13,501,670

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	45,736
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	323,839 *
			<u>369,575</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 14	<u>168,358</u>
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN AND YOUTH	84.013	FY 14	<u>37,642</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B), (HIGH COST)	84.027	FY 14	<u>7,113 **</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 14	<u>59,630</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 14	<u>7,408</u>
AREA EDUCATION AGENCY 267:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 14	<u>67,890 **</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	<u>4,385</u>
DEPARTMENT OF HOMELAND SECURITY:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT DIVISON:			
HAZARD MITIGATION GRANT	97.039	FY 14	<u>59,616</u>
TOTAL			<u>\$ 781,617</u>

* Includes \$78,417 of non-cash awards

** Total for Special Education Cluster (IDEA) is \$75,003.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

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

We have audited 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independence Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Independence Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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.

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 deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a significant deficiency.

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, 2014 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

Independence Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Independence Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

February 11, 2015
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of Independence Community School District:

Report on Compliance for Each Major Federal Program

We have audited Independence Community School District's compliance 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 its major federal programs for the year ended June 30, 2014. Independence Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Independence Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Independence Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Independence Community School District complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

The management of Independence Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independence Community School District's internal control over compliance with requirements with the type of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Independence Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

February 11, 2015
Newton, Iowa

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency 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 major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed 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:
 - Child Nutrition Cluster:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual Program:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Independence Community School District did not qualify as a low-risk auditee.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

- II-A-14 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however approximately one-third of the purchase orders tested in the Student Activity Fund during our audit indicated that the purchase order was being approved after items had already been purchased.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will make sure to mark all purchase orders that receive verbal approval prior to purchasing to verify proper procedures were followed.

Conclusion - Response accepted.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2014

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 major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 exceeded the certified budgeted amounts in the support services and non-instructional programs functional areas.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will continue to monitor the certified budget and amend as needed.

Conclusion - Response accepted.

IV-B-14 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-14 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-14 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	\$3,684
Vern Lohman, Bus Driver Son and daughter-in-law own Vern's True Value	Supplies	\$12,461
Brian Eddy, Board President Co-owner of Fusion Forward	Services(Per Bid)	\$13,487

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse of Jami Tekippe and son and daughter-in-law of Vern Lohman do not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with board member Brian Eddy do not appear to represent a conflict of interest.

IV-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of resident students was overstated by one student.

Recommendation - The Iowa Department of Education and the Iowa Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-14 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was understated by 0.05 for the fall of 2012 count date.

Recommendation - The Iowa Department of Education and the Iowa Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-I-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-14 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-14 Financial Condition - The District had one deficit account in the Special Revenue, Student Activity Fund totaling \$6,467 at June 30, 2014.

Recommendation - The District should continue to monitor this account and investigate alternatives to eliminate the deficit. 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 this account.

Response - The District worked with the yearbook advisor to develop a workout plan that will take the next two years to complete.

Conclusion - Response accepted.

IV-M-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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, 2014, the following information includes the amounts the District reported for statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit.

Beginning Balance		\$ 2,724,970
Revenues:		
Sales tax revenues	1,211,125	
Other local revenues	840,566	
Transfers from other funds	419,191	2,470,882
		<u>5,195,852</u>
Expenditures:		
School infrastructure construction	\$ 3,468,782	
Equipment	260,776	
Other	20,400	
Transfers to other funds:		
Debt service fund	703,844	4,453,802
		<u>4,453,802</u>
Ending balance		<u>\$ 742,050</u>

For the year ended June 30, 2014 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.