

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

JUNE 30, 2015

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## Independence Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Brian Eddy	President	2015
Shelly Whited	Vice President	2017
Rusty Donnelly	Board Member	2015
Eric Smith	Board Member	2015
Heather Meador	Board Member	2017
<b>School Officials</b>		
Jean Peterson	Superintendent	2015
Lynnette Engel	Board Secretary/Treasurer	2015
Ahlers & Cooney, P.C.	Attorney	2015
Lynch Dallas, P.C.	Attorney	2015

**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, 2015, 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.

The financial statements of Mustang Foundation have not been audited, and we were not engaged to audit the Mustang Foundation financial statements as part of our audit of the Independence Community School District's basic financial statements. The Mustang Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Mustang Foundation's financial statements and because we did not apply any auditing procedures to the Mustang Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

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, 2015 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.

## Emphasis of Matter

As discussed in Note 14 to the financial statements, Independence Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the 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 46 through 53 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 inquiries, 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 six years ended June 30, 2014 (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 three 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 10, 2016, 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, somewhat stylized font.

NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2016  
Newton, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$16,337,604 in fiscal year 2014 to \$16,792,560 in fiscal year 2015, while General Fund expenditures increased from \$16,051,830 in fiscal year 2014 to \$16,434,477 in fiscal year 2015. The District's General Fund balance increased from \$1,957,751 at June 30, 2014 to \$2,315,834 at June 30, 2015.
- The increase in General Fund revenues was attributable to increases in tuition and state source revenue received as compared to the previous year. 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, the District's proportionate share of the net pension liability and related contributions, 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 and combining schedules for the District's Internal Service 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.

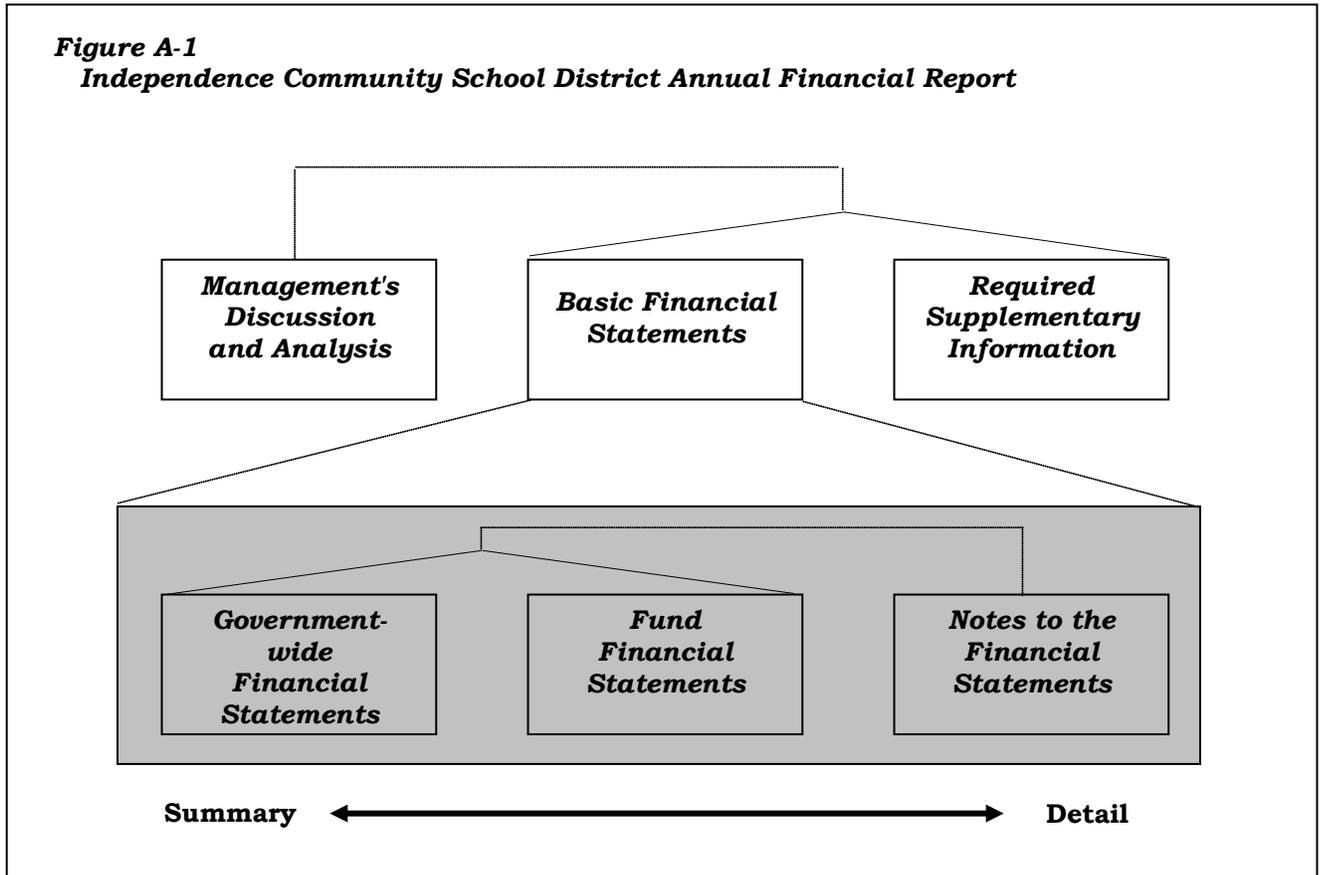


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>				
<b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	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 service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
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.

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The two government-wide financial statements report the District's net position and how it has 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 Fund.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

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, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30,		June 30,		June 30,	June 30,	June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Current and other assets	\$ 14,723,767	14,740,514	242,555	245,793	14,966,322	14,986,307	-0.13%
Capital assets	32,694,293	31,254,352	276,939	305,127	32,971,232	31,559,479	4.47%
Total assets	47,418,060	45,994,866	519,494	550,920	47,937,554	46,545,786	2.99%
Deferred outflows of resources	1,098,126	-	27,706	-	1,125,832	-	100.00%
Long-term liabilities	24,596,370	19,539,532	127,532	8,598	24,723,902	19,548,130	26.48%
Other liabilities	2,576,421	2,510,523	46,734	61,273	2,623,155	2,571,796	2.00%
Total liabilities	27,172,791	22,050,055	174,266	60,734	27,347,057	22,119,926	23.63%
Deferred inflows of resources	8,848,387	6,748,129	45,371	-	8,893,758	6,748,129	31.80%
Net position:							
Net investment in capital assets	14,299,293	13,024,127	276,939	305,127	14,576,232	13,329,254	9.36%
Restricted	2,452,020	2,746,642	-	-	2,452,020	2,746,642	-10.73%
Unrestricted	(4,256,305)	1,425,913	50,624	185,059	(4,205,681)	1,610,972	-361.06%
Total net position	\$ 12,495,008	17,196,682	327,563	490,186	12,822,571	17,686,868	-27.50%

The District’s combined net position decreased by 27.50%, or \$4,864,297, 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 \$294,622, or 10.73% from the prior year. This was primarily a result of a decrease in the Capital Projects: Statewide Sales, Services and Use Tax Fund and Management Levy 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 \$5,816,653 or 361.06%. This decrease was primarily the result of the District’s net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$6,572,389 and \$148,533, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 1,682,432	1,489,551	342,795	348,961	2,025,227	1,838,512	10.16%
Operating grants, contributions and restricted interest	1,664,377	1,560,693	346,126	375,612	2,010,503	1,936,305	3.83%
Capital grants, contributions and restricted interest	98,733	913,131	-	-	98,733	913,131	-89.19%
General revenues:							
Property tax	6,821,074	6,891,582	-	-	6,821,074	6,891,582	-1.02%
Income surtax	615,579	628,292	-	-	615,579	628,292	-2.02%
Statewide sales, services and use tax	1,310,427	1,211,125	-	-	1,310,427	1,211,125	8.20%
Unrestricted state grants	7,960,376	7,708,506	-	-	7,960,376	7,708,506	3.27%
Unrestricted interest income	12,358	13,789	435	428	12,793	14,217	-10.02%
Other	117,579	129,759	2,895	8,553	120,474	138,312	-12.90%
Total revenues	20,282,935	20,546,428	692,251	733,554	20,975,186	21,279,982	-1.43%
Program expenses:							
Instruction	11,707,466	11,352,643	-	-	11,707,466	11,352,643	3.13%
Support services	4,820,078	4,137,512	325	-	4,820,403	4,137,512	16.50%
Non-instructional programs	1,225	1,200	706,016	732,751	707,241	733,951	-3.64%
Other expenses	1,883,451	1,759,255	-	-	1,883,451	1,759,255	7.06%
Total expenses	18,412,220	17,250,610	706,341	732,751	19,118,561	17,983,361	6.31%
Excess(Deficiency) of revenues over(under) expenses	1,870,715	3,295,818	(14,090)	803	1,856,625	3,296,621	-43.68%
Transfers	-	(261,270)	-	261,270	-	-	0.00%
Change in net position	1,870,715	3,034,548	(14,090)	262,073	1,856,625	3,296,621	-43.68%
Net position beginning of year, as resated	10,624,293	14,162,134	341,653	228,113	10,965,946	14,390,247	-23.80%
Net position end of year	\$ 12,495,008	17,196,682	327,563	490,186	12,822,571	17,686,868	-27.50%

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 82.37% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.52% of the revenue from business type activities.

The District's total revenues were approximately \$20.97 million of which approximately \$20.28 million was for governmental activities and approximately \$0.69 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.43% decrease in revenues and a 6.31% increase in expenses. The decrease in revenues was a result of less capital grants, contributions and restricted interest received due to the District completing construction of the new Junior/Senior High School Building during fiscal year 2014. The increase in expenditures is primarily due to an increase in support service expenditures incurred compared to the prior year.

### Governmental Activities

Revenues for governmental activities were \$20,282,935 and expenses were \$18,412,220 for the year ended June 30, 2015.

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, 2015 compared to the year ended June 30, 2014.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 11,707,466	11,352,643	3.13%	9,041,720	8,952,468	1.00%
Support services	4,820,078	4,137,512	16.50%	4,665,678	3,175,701	46.92%
Non-instructional programs	1,225	1,200	2.08%	1,225	1,200	2.08%
Other expenses	1,883,451	1,759,255	7.06%	1,258,055	1,157,866	8.65%
Totals	\$ 18,412,220	17,250,610	6.73%	14,966,678	13,287,235	12.64%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,682,432.
- Federal and state governments along with donations from local sources subsidized certain programs with grants and contributions totaling \$1,763,110.
- The net cost of governmental activities was financed with \$6,821,074 in property tax, \$615,579 in income surtax, \$1,310,427 in statewide sales, services and use tax, \$7,960,376 in unrestricted state grants, \$12,358 in interest income and \$117,579 other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$692,251 and expenses were \$706,341 for the year ended June 30, 2015. 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.

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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 \$4,033,171, which is less than last year's ending fund balances of \$4,447,294. This decrease is primarily a result of a decrease in the fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund compared to the prior year.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$1,957,751 at June 30, 2014 to \$2,315,834 at June 30, 2015. Total revenues increased due to an increase in state source and tuition revenue received as compared to the previous year. Expenditures also increase primarily due to an increase in negotiated salaries and benefits. Total revenues exceeded total expenditures ensuring an increase in fund balance for fiscal year 2015.
- The Capital Projects Fund balance decreased from \$949,911 at June 30, 2014 to \$188,644 at June 30, 2015. This decrease was primarily due to the decrease in the fund balance of the Capital Projects: Statewide Sales Services and Use Tax Fund during the year. This fund decreased due to continued construction expenditures incurred on the District's athletic complexes, and bus new bus garage projects.
- The District's Debt Service Fund balance increase from \$678,278 at June 30, 2014 to \$801,988 at June 30, 2015. 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 decreased from a restated net position of \$341,653 on July 1, 2014 to \$327,563 at June 30, 2015, representing a decrease of 4.12%. This decrease is primarily due to a decrease in charges for service and federal grant revenue received compared to the previous year. Total expenditures exceeded total revenues ensuring a decrease in ending net position.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year Independence Community School District amended its budget one time to reflect additional expenditures associated with increased support services expenditure and additional construction project expenditures incurred in the other expenditures functional area.

The District's revenues were \$568,992 more than budgeted revenues, a variance of 2.79%. 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.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested \$32,971,232 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 represents a net increase of 4.47% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$982,672.

The original cost of the District's capital assets was approximately \$41.17 million. Governmental funds account for approximately \$40.65 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 land improvements category. The District's land improvements totaled \$1,879,977 at June 30, 2015, compared to \$427,610 reported at June 30, 2014. This increase resulted from the District completing work on the Tennis court, football field turf and parking lot projects during fiscal year 2015.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 1,141,353	1,141,353	-	-	1,141,353	1,141,353	0.00%
Construction in progress	481,247	107,507	-	-	481,247	107,507	347.64%
Buildings	28,369,608	28,836,032	-	-	28,369,608	28,836,032	-1.62%
Land improvements	1,879,977	427,610	-	-	1,879,977	427,610	339.65%
Machinery and equipment	822,108	741,850	276,939	305,127	1,099,047	1,046,977	4.97%
Total	\$ 32,694,293	31,254,352	276,939	305,127	32,971,232	31,559,479	4.47%

### Long-Term Debt

At June 30, 2015, the District had \$24,723,902 in general obligation and other long-term debt outstanding. This represents a increase of 26.48% 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, 2015 of \$8,255,000 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding General Obligation Bond indebtedness at June 30, 2015 of \$10,140,000 payable from the Debt Service Fund.

The District had total outstanding Computer Lease indebtedness at June 30, 2015 of \$242,187 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding Compensated Absences payable from the General Fund of \$60,902 at June 30, 2015.

The District had a total pension liability at June 30, 2015, of \$5,362,370. The Governmental Activities accounted for \$5,243,861 of this total while the District's business type activities accounted for the remaining \$118,509.

The District had outstanding Net OPEB liability at June 30, 2015 of \$663,443. The Governmental Activities accounted for \$654,420 of this total while Business Type Activities accounted for the remaining \$9,023.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenue bonds	\$ 8,255,000	7,340,000	-	-	8,255,000	7,340,000	12.47%
General obligation bonds	10,140,000	10,920,000	-	-	10,140,000	10,920,000	-7.14%
Computer lease	242,187	359,847	-	-	242,187	359,847	-32.70%
Termination benefits	-	338,613	-	-	-	338,613	-100.00%
Compensated absences	60,902	58,940	-	-	60,902	58,940	3.33%
Net pension liability	5,243,861	-	118,509	-	5,362,370	-	100.00%
Net OPEB liability	654,420	522,132	9,023	8,598	663,443	530,730	25.01%
Totals	\$ 24,596,370	19,539,532	127,532	8,598	24,723,902	19,548,130	26.48%

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## **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. Due to the low state funding and increase in expenditures, the District was required to make substantial budget cuts at the end of the 2015 school year. The District is hoping one year of cuts will be sufficient.

## **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 1<sup>st</sup> Street West, Independence, Iowa, 50644.

## **Basic Financial Statements**

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Primary Government			Component Unit*
	Governmental Activities	Business Type Activities	Total	Mustang Foundation
<b>ASSETS</b>				
Cash and pooled investments	\$ 5,967,959	219,378	6,187,337	849,284
Receivables:				
Property tax:				
Delinquent	71,090	-	71,090	-
Succeeding year	6,840,768	-	6,840,768	-
Income surtax	585,009	-	585,009	-
Accounts	77,573	-	77,573	-
Due from other governments	1,181,368	-	1,181,368	-
Inventories	-	23,177	23,177	-
Capital assets, net of accumulated depreciation/amortization	32,694,293	276,939	32,971,232	-
<b>TOTAL ASSETS</b>	<b>47,418,060</b>	<b>519,494</b>	<b>47,937,554</b>	<b>849,284</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related deferred outflows	1,098,126	27,706	1,125,832	-
<b>LIABILITIES</b>				
Accounts payable	985,157	4,786	989,943	-
Salaries and benefits payable	1,524,099	26,265	1,550,364	-
Advances from student fees	1,145	-	1,145	-
Accrued interest payable	66,020	-	66,020	-
Unearned revenue	-	15,683	15,683	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	482,000	-	482,000	-
General obligation bonds	795,000	-	795,000	-
Computer lease payable	119,928	-	119,928	-
Compensated absences	60,902	-	60,902	-
Portion due after one year:				
Revenue bonds	7,773,000	-	7,773,000	-
General obligation bonds	9,345,000	-	9,345,000	-
Computer lease payable	122,259	-	122,259	-
Net pension liability	5,243,861	118,509	5,362,370	-
Net OPEB liability	654,420	9,023	663,443	-
<b>TOTAL LIABILITIES</b>	<b>27,172,791</b>	<b>174,266</b>	<b>27,347,057</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable property tax revenues	6,840,768	-	6,840,768	-
Pension related deferred inflows	2,007,619	45,371	2,052,990	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>8,848,387</b>	<b>45,371</b>	<b>8,893,758</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	14,299,293	276,939	14,576,232	-
Restricted for:				
Categorical funding	800,703	-	800,703	-
School infrastructure	182,991	-	182,991	-
Physical plant and equipment	5,653	-	5,653	-
Debt service	735,968	-	735,968	-
Management levy purposes	524,488	-	524,488	-
Student activities	147,186	-	147,186	-
Support trust purposes	55,031	-	55,031	-
Unrestricted	(4,256,305)	50,624	(4,205,681)	849,284
<b>TOTAL NET POSITION</b>	<b>\$ 12,495,008</b>	<b>327,563</b>	<b>12,822,571</b>	<b>849,284</b>

\* The component unit year end is December 31, 2014.

SEE NOTES TO FINANCIAL STATEMENTS.

**INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

	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		Mustang Foundation	
					Governmental Activities	Business Type Activities		
<b>Functions/Programs:</b>								
Governmental activities:								
Instruction:								
Regular	\$ 5,736,604	458,782	168,436	-	(5,109,386)	-	(5,109,386)	-
Special	3,132,136	810,036	233,473	-	(2,088,627)	-	(2,088,627)	-
Other	2,838,726	379,342	615,677	-	(1,843,707)	-	(1,843,707)	-
	<u>11,707,466</u>	<u>1,648,160</u>	<u>1,017,586</u>	<u>-</u>	<u>(9,041,720)</u>	<u>-</u>	<u>(9,041,720)</u>	<u>-</u>
Support services:								
Student	559,438	-	-	-	(559,438)	-	(559,438)	-
Instructional staff	341,012	-	-	-	(341,012)	-	(341,012)	-
Administration	1,791,741	-	-	-	(1,791,741)	-	(1,791,741)	-
Operation and maintenance of plant	1,460,920	-	-	98,733	(1,362,187)	-	(1,362,187)	-
Transportation	666,967	34,272	21,395	-	(611,300)	-	(611,300)	-
	<u>4,820,078</u>	<u>34,272</u>	<u>21,395</u>	<u>98,733</u>	<u>(4,665,678)</u>	<u>-</u>	<u>(4,665,678)</u>	<u>-</u>
Non-instructional programs:								
Other enterprise operations	1,225	-	-	-	(1,225)	-	(1,225)	-
Long-term debt interest	498,078	-	-	-	(498,078)	-	(498,078)	-
Other expenditures:								
AEA flowthrough	625,396	-	625,396	-	-	-	-	-
Depreciation(unallocated)*	759,977	-	-	-	(759,977)	-	(759,977)	-
	<u>1,385,373</u>	<u>-</u>	<u>625,396</u>	<u>-</u>	<u>(759,977)</u>	<u>-</u>	<u>(759,977)</u>	<u>-</u>
Total governmental activities	<u>18,412,220</u>	<u>1,682,432</u>	<u>1,664,377</u>	<u>98,733</u>	<u>(14,966,678)</u>	<u>-</u>	<u>(14,966,678)</u>	<u>-</u>
Business Type activities:								
Support services:								
Administration	325	-	-	-	-	(325)	(325)	-
Non-instructional programs:								
Food service operations	706,016	342,795	346,126	-	-	(17,095)	(17,095)	-
Total business type activities	<u>706,341</u>	<u>342,795</u>	<u>346,126</u>	<u>-</u>	<u>-</u>	<u>(17,420)</u>	<u>(17,420)</u>	<u>-</u>
Total primary government	\$ <u>19,118,561</u>	<u>2,025,227</u>	<u>2,010,503</u>	<u>98,733</u>	<u>(14,966,678)</u>	<u>(17,420)</u>	<u>(14,984,098)</u>	<u>-</u>
Total component unit	\$ <u>690,289</u>	<u>95,129</u>	<u>752,332</u>	<u>-</u>				<u>157,172</u>
<b>General Revenues:</b>								
Property tax levied for:								
General purposes					\$ 5,482,359	-	5,482,359	-
Debt service					1,038,636	-	1,038,636	-
Capital outlay					300,079	-	300,079	-
Income surtax					615,579	-	615,579	-
Statewide sales, services and use tax					1,310,427	-	1,310,427	-
Unrestricted state grants					7,960,376	-	7,960,376	-
Unrestricted investment earnings					12,358	435	12,793	3,471
Unrealized gain or loss on investments					-	-	-	932
Other general revenues					117,579	2,895	120,474	5,415
Total general revenues					<u>16,837,393</u>	<u>3,330</u>	<u>16,840,723</u>	<u>9,818</u>
Change in net position					1,870,715	(14,090)	1,856,625	166,990
Net position beginning of year, as restated					10,624,293	341,653	10,965,946	682,294
Net position end of year					\$ <u>12,495,008</u>	<u>327,563</u>	<u>12,822,571</u>	<u>849,284</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, 2014.

**SEE NOTES TO FINANCIAL STATEMENTS.**

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 3,589,897	77,198	791,189	755,257	5,213,541
Receivables:					
Property tax					
Delinquent	54,009	3,120	10,799	3,162	71,090
Succeeding year	5,204,533	303,452	1,032,783	300,000	6,840,768
Income surtax	585,009	-	-	-	585,009
Accounts	73,821	-	-	3,752	77,573
Due from other governments	976,731	204,637	-	-	1,181,368
<b>TOTAL ASSETS</b>	<b>\$ 10,484,000</b>	<b>588,407</b>	<b>1,834,771</b>	<b>1,062,171</b>	<b>13,969,349</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 853,380	96,311	-	35,466	985,157
Salaries and benefits payable	1,524,099	-	-	-	1,524,099
Advances from student fees	1,145	-	-	-	1,145
Total liabilities	2,378,624	96,311	-	35,466	2,510,401
Deferred inflows of resources					
Unavailable revenues:					
Succeeding year property tax	5,204,533	303,452	1,032,783	300,000	6,840,768
Income surtax	585,009	-	-	-	585,009
Total deferred inflows of resources	5,789,542	303,452	1,032,783	300,000	7,425,777
Fund balances:					
Restricted for:					
Categorical funding	800,703	-	-	-	800,703
School infrastructure	-	182,991	-	-	182,991
Physical plant and equipment	-	5,653	-	-	5,653
Debt service	-	-	801,988	-	801,988
Management levy purposes	-	-	-	524,488	524,488
Student activities	-	-	-	147,186	147,186
Support trust purposes	-	-	-	55,031	55,031
Unassigned	1,515,131	-	-	-	1,515,131
Total fund balances	2,315,834	188,644	801,988	726,705	4,033,171
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 10,484,000</b>	<b>588,407</b>	<b>1,834,771</b>	<b>1,062,171</b>	<b>13,969,349</b>

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015

<b>Total fund balances of governmental funds(page 20)</b>	\$	4,033,171
 <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 the governmental funds.		32,694,293
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.		(66,020)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		754,418
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.		585,009
Pension related deferred outflows or resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,098,126	
Deferred inflows of resources	<u>(2,007,619)</u>	(909,493)
Long-term liabilities, including bonds payable, leases payable, compensated absences payable, other postemployment benefits payable and the net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(24,596,370)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>12,495,008</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 5,762,122	300,079	1,038,636	303,238	7,404,075
Tuition	1,182,760	-	-	-	1,182,760
Other	314,528	25,607	49	521,370	861,554
State sources	8,978,407	1,310,590	564	165	10,289,726
Federal sources	512,242	-	-	-	512,242
Total revenues	16,750,059	1,636,276	1,039,249	824,773	20,250,357
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	5,562,271	397,809	-	356,125	6,316,205
Special	3,247,953	-	-	-	3,247,953
Other	2,483,689	-	-	419,550	2,903,239
	11,293,913	397,809	-	775,675	12,467,397
Support services:					
Student	567,947	-	-	-	567,947
Instructional staff	335,824	289	-	-	336,113
Administration	1,725,553	2,995	-	3,523	1,732,071
Operation and maintenance of plant	1,256,359	188,233	-	121,738	1,566,330
Transportation	628,260	666	-	28,486	657,412
	4,513,943	192,183	-	153,747	4,859,873
Non-instructional programs:					
Other enterprise operations	1,225	-	-	-	1,225
Capital outlay	-	2,296,544	-	-	2,296,544
Long-term debt:					
Principal	-	-	1,282,660	-	1,282,660
Interest and fiscal charges	-	-	473,886	-	473,886
	-	-	1,756,546	-	1,756,546
Other expenditures:					
AEA flowthrough	625,396	-	-	-	625,396
Total expenditures	16,434,477	2,886,536	1,756,546	929,422	22,006,981
Excess(Deficiency) of revenues over(under) expenditures	315,582	(1,250,260)	(717,297)	(104,649)	(1,756,624)
Other financing sources(uses):					
Proceeds from sale of real property	42,501	-	-	-	42,501
Proceeds from revenue bond issuance	-	1,300,000	-	-	1,300,000
Transfer in	-	30,000	841,007	-	871,007
Transfer out	-	(841,007)	-	(30,000)	(871,007)
Total other financing sources(uses)	42,501	488,993	841,007	(30,000)	1,342,501
Change in fund balances	358,083	(761,267)	123,710	(134,649)	(414,123)
Fund balances beginning of year	1,957,751	949,911	678,278	861,354	4,447,294
Fund balances end of year	\$ 2,315,834	188,644	801,988	726,705	4,033,171

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, 2015

**Change in fund balances - total governmental funds**(page 22) \$ (414,123)

*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 outlay expenditures exceed depreciation expense in the current year as follows:

Capital outlay	\$ 2,426,462	
Depreciation expense	(951,483)	
Loss on disposal	(35,038)	
	1,439,941	1,439,941

Income surtax accounts receivable is not available revenue and is recognized as deferred inflows of resources in the governmental funds. 32,578

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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. Current year issuances and repayments are as follows:

Issued	(1,300,000)	
Repaid	1,282,660	
	(17,340)	(17,340)

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 accrued, regardless of when it is due. (24,192)

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 230,453

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 809,712

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	338,613	
Compensated absences	(1,962)	
Pension expense	(390,677)	
Other postemployment benefits	(132,288)	
	(186,314)	(186,314)

**Change in net position of governmental activities**(page 19) \$ 1,870,715

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
<b>ASSETS</b>		
Current assets:		
Cash and pooled investments	\$ 219,378	754,418
Inventories	23,177	-
Total current assets	<u>242,555</u>	<u>754,418</u>
Non-current assets:		
Capital assets, net of accumulated depreciation	276,939	-
<b>TOTAL ASSETS</b>	<u>519,494</u>	<u>754,418</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Pension related deferred outflows	27,706	-
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	4,786	-
Salaries and benefits payable	26,265	-
Unearned revenue	15,683	-
Total current liabilities	<u>46,734</u>	<u>-</u>
Noncurrent liabilities:		
Net pension liability	118,509	-
Net OPEB liability	9,023	-
Total noncurrent liabilities	<u>127,532</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>174,266</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Pension related deferred inflows	45,371	-
<b>NET POSITION</b>		
Net investment in capital assets	276,939	-
Unrestricted	50,624	754,418
<b>TOTAL NET POSITION</b>	<u>\$ 327,563</u>	<u>754,418</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, 2015

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	Fund
<b>OPERATING REVENUE:</b>		
Local sources:		
Charges for service	\$ 342,795	-
Donations	3,130	-
Miscellaneous	2,895	617,839
Total operating revenues	<u>348,820</u>	<u>617,839</u>
<b>OPERATING EXPENSES:</b>		
Instruction:		
Regular:		
Benefits	-	168,209
Support services:		
Student:		
Benefits	-	132,731
Instructional staff:		
Benefits	-	7,740
Administration:		
Benefits	-	65,821
Services	325	-
Operation and maintenance of plant:		
Benefits	-	6,519
Transportation:		
Benefits	-	6,410
Total support services	<u>325</u>	<u>219,221</u>
Non-instructional programs:		
Food service operations:		
Salaries	240,080	-
Benefits	45,826	-
Services	9,910	-
Supplies	374,324	-
Depreciation	31,189	-
Other	4,687	-
Total non-instructional programs	<u>706,016</u>	<u>-</u>
Total operating expenses	<u>706,341</u>	<u>387,430</u>
<b>OPERATING INCOME(LOSS)</b>	<u>(357,521)</u>	<u>230,409</u>
<b>NON-OPERATING REVENUES:</b>		
State sources	5,320	-
Federal sources	337,676	-
Interest on investments	435	44
Total non-operating revenues	<u>343,431</u>	<u>44</u>
Change in net position	(14,090)	230,453
Net position beginning of year, as restated	<u>341,653</u>	<u>523,965</u>
Net position end of year	<u>\$ 327,563</u>	<u>754,418</u>

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	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	\$ 347,520	-
Cash received from miscellaneous sources	2,895	617,839
Cash received from donations	3,130	-
Cash payments to employees for services	(308,979)	(120,864)
Cash payments to suppliers for goods or services	(312,657)	(266,566)
Net cash provided by(used in) operating activities	<u>(268,091)</u>	<u>230,409</u>
State grants received		
	5,320	-
Federal grants received	266,364	-
Net cash provided by non-capital financing activities	<u>271,684</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(3,001)	-
Cash flows from investing activities:		
Net cash provided by investing activities	<u>435</u>	<u>44</u>
Net increase in cash and cash pooled investments	1,027	230,453
Cash and pooled investments beginning of year	<u>218,351</u>	<u>523,965</u>
Cash and pooled investments end of year	<u>\$ 219,378</u>	<u>754,418</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (357,521)	230,409
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities used	71,312	-
Depreciation	31,189	-
Decrease in inventories	3,669	-
Decrease in accounts receivable	596	-
Increase in accounts payable	1,608	-
Decrease in salaries and benefits payable	(11,139)	-
Increase in unearned revenue	4,129	-
Decrease in net pension liability	(47,485)	-
Increase in deferred outflows of resources	(10,245)	-
Increase in deferred inflows of resources	45,371	-
Increase in other postemployment benefits	425	-
Net cash provided by(used in) operating activities	<u>\$ (268,091)</u>	<u>230,409</u>

## NON-CASH INVESTING, CAPITAL RELATED AND FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$71,312.

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2015

	<u>Agency</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 7,713
<b>LIABILITIES</b>	
Due to other groups	\$ 7,713

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 JUNE 30, 2015

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 1,800
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	1,800
Change in net position	-
Net position beginning of year	-
Net position end of year	\$ -

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**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 Mustang Foundation has a December 31<sup>st</sup> year-end. The foundation is accounted for as a component unit on the Statement of Net Position and the Statement of Activities. The Mustang Foundation financial statements are unaudited.

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 Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit the individual through scholarship awards.

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

### C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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
Buildings	50 years
Land improvements	20 years
Intangibles	2-10 years
Machinery and equipment	5-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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.

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.

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, 2015. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 consists 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in preceding classifications.

E. Budgets and Budgetary Accounting

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

**Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2015 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, 2015, the District had no investments.

**Note 3. Categorical Funding**

The District's restricted balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited english proficient	\$ 470
Home school assistance program	22,260
Gifted and talented programs	142,073
Returning dropouts and dropout prevention programs	99,198
Beginning teacher mentoring and induction program	1,707
Teacher salary supplement	217,806
Iowa early intervention block grant	20,826
Four-year-old preschool state aid	176,113
Successful progression for early readers	38,330
Professional development for model core curriculum	80,769
Professional development	411
State decategorization grant	740
Total	<u>\$ 800,703</u>

#### Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,141,353	-	-	1,141,353
Construction in progress	107,507	1,949,014	1,575,274	481,247
Total capital assets not being depreciated	<u>1,248,860</u>	<u>1,949,014</u>	<u>1,575,274</u>	<u>1,622,600</u>
Capital assets being depreciated:				
Buildings	33,428,113	191,159	28,700	33,590,572
Land improvements	1,470,131	1,558,561	-	3,028,692
Machinery and equipment	2,233,326	303,002	132,704	2,403,624
Total capital assets being depreciated	<u>37,131,570</u>	<u>2,052,722</u>	<u>161,404</u>	<u>39,022,888</u>
Less accumulated depreciation for:				
Buildings	4,592,081	653,783	24,900	5,220,964
Land improvements	1,042,521	106,194	-	1,148,715
Machinery and equipment	1,491,476	191,506	101,466	1,581,516
Total accumulated depreciation	<u>7,126,078</u>	<u>951,483</u>	<u>126,366</u>	<u>7,951,195</u>
Total capital assets being depreciated, net	<u>30,005,492</u>	<u>1,101,239</u>	<u>35,038</u>	<u>31,071,693</u>
Governmental activities capital assets, net	<u>\$ 31,254,352</u>	<u>3,050,253</u>	<u>1,610,312</u>	<u>32,694,293</u>
Business type activities:				
Machinery and equipment	\$ 522,308	3,001	-	525,309
Less accumulated depreciation	217,181	31,189	-	248,370
Business type activities capital assets, net	<u>\$ 305,127</u>	<u>(28,188)</u>	<u>-</u>	<u>276,939</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 28,621
Special	4,857
Other	19,867
Support services:	
Administration	11,304
Operation and maintenance of plant	43,622
Transportation	83,235
	<u>191,506</u>
Unallocated depreciation	<u>759,977</u>
Total governmental activities depreciation expense	<u>\$ 951,483</u>
Business type activities:	
Food service operations	<u>\$ 31,189</u>

## Note 5. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 7,340,000	1,300,000	385,000	8,255,000	482,000
General Obligation Bonds	10,920,000	-	780,000	10,140,000	795,000
Computer Lease	359,847	-	117,660	242,187	119,928
Termination Benefits*	338,613	-	338,613	-	-
Compensated Absences	58,940	60,902	58,940	60,902	60,902
Net Pension Liability	7,345,025	-	2,101,164	5,243,861	-
Net OPEB Liability	522,132	132,288	-	654,420	-
Total	<u>\$ 26,884,557</u>	<u>1,493,190</u>	<u>3,781,377</u>	<u>24,596,370</u>	<u>1,457,830</u>
<u>Business Type Activities:</u>					
Net Pension Liability	\$ 165,994	-	47,485	118,509	-
Net OPEB Liability	8,598	425	-	9,023	-
Total	<u>\$ 174,592</u>	<u>425</u>	<u>47,485</u>	<u>127,532</u>	<u>-</u>

\* As of July 1, 2014, termination benefits are now included as an explicit subsidy in the District's Net OPEB liability in accordance with GASB Statement No. 45.

### Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 1, 2011			Bond Issue August 1, 2014			Total		
	Rate	Principal	Interest	Rate	Principal	Interest	Principal	Interest	Total
2016	2.00 %	\$ 395,000	189,657	4.00 %	\$ 87,000	50,260	\$ 482,000	239,917	721,917
2017	2.00	410,000	181,758	4.00	87,000	46,780	497,000	228,538	725,538
2018	2.00	420,000	173,557	4.00	87,000	43,300	507,000	216,857	723,857
2019	2.15	435,000	165,158	4.00	87,000	39,820	522,000	204,978	726,978
2020	2.30	450,000	155,805	4.00	87,000	36,340	537,000	192,145	729,145
2021-2025	2.45-3.00	2,490,000	602,362	4.00	435,000	129,500	2,925,000	731,862	3,656,862
2026-2030	3.10-3.40	2,355,000	199,880	4.00	430,000	42,600	2,785,000	242,480	3,027,480
Total		<u>\$ 6,955,000</u>	<u>1,668,177</u>		<u>\$ 1,300,000</u>	<u>388,600</u>	<u>\$ 8,255,000</u>	<u>2,056,777</u>	<u>10,311,777</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$8,115,000 of bonds issued December 2011 and \$1,300,000 of bond issued August 2014. 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 2030. 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 55% of the statewide sales, services and use tax revenues. The total principal and interest paid remaining to be paid is \$10,311,777. For the current year \$385,000 in principal and \$197,358 in interest was paid on the bonds and total statewide sales and services tax revenues were \$1,310,427.

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, 2015 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
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	2.00	445,000	189,225	1.30	140,000	1,820	585,000	191,045	776,045
2021-2025	2.20-2.70	2,375,000	792,795	-	-	-	2,375,000	792,795	3,167,795
2026-2030	2.80-3.20	2,705,000	455,200	-	-	-	2,705,000	455,200	3,160,200
2031-2032	3.30-3.40	1,200,000	60,950	-	-	-	1,200,000	60,950	1,260,950
Total		\$ 8,415,000	2,340,370		\$ 1,725,000	45,368	\$ 10,140,000	2,385,738	12,525,738

Computer Lease

On May 21, 2013, the District entered into a lease-purchase agreement for computers. The lease is payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund. The District's June 30, 2015 computer lease indebtedness is as follows:

Year Ending June 30,	Computer Lease Issue of May 21, 2013			
	Rate	Principal	Interest	Total
2016	1.90 %	\$ 119,928	4,102	124,030
2017	1.90	122,259	1,771	124,030
Total		\$ 242,187	5,873	248,060

Termination Benefits

In January 2015, 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 66% of the employee's current contracted salary plus health insurance coverage with District paying 100% single plan premiums or single plan premiums toward family amounts through June 30, 2017. The early retirement benefit for each eligible classified employee is equal to 50% 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, 2015, the District has obligations to four participants with a total liability of \$132,206. The District also has obligations to nine retirees from previous fiscal years totaling \$149,302. Total termination benefits payable is \$281,508. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$189,311. As of July 1, 2014 District termination benefits are included as an explicit subsidy in the District's Net OPEB liability in accordance with GASB Statement No. 45.

**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 158 active and 21 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. District salary benefit and unused sick leave benefit are include in the actuarial valuation as an explicit subsidy.

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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 334,266
Interest on net OPEB obligation	13,268
Adjustment to annual required contribution	<u>(26,846)</u>
Annual OPEB cost	320,688
Contributions made	<u>(187,975)</u>
Increase in net OPEB obligation	132,713
Net OPEB obligation beginning of year	<u>530,730</u>
Net OPEB obligation end of year	<u><u>\$ 663,443</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, 2015.

For the year ended June 30, 2015, the District contributed \$187,975 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
2013	\$ 126,529	19.24%	\$ 421,609
2014	134,715	19.00	530,730
2015	320,688	58.62	663,443

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$2,846,635 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,846,635. The covered payroll (annual payroll of active employees covered by the plan) was \$8,581,212 and the ratio of the UAAL to covered payroll was 33.2%. As of June 30, 2015, 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, presents 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, 2014 actuarial valuation date, the 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 monthly single claims costs of the medical plan are as follows: \$588 per month for plan 1 and \$537 per month for plan 2. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 7. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$830,900.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$5,362,370 for its proportionate share of the net pension liability. The net pension liability was measured as of June

30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.132500 percent, which was an decrease of 0.000157 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$399,506. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 58,279	\$ -
Changes of assumptions	236,653	-
Net difference between projected and actual earnings on pension plan investments	-	2,045,054
Changes in proportion and differences between District contributions and proportionate share of contributions	-	7,936
District contributions subsequent to the measurement date	830,900	-
<b>Total</b>	<b>\$ 1,125,832</b>	<b>\$ 2,052,990</b>

\$830,900 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (444,208)
2017	(444,208)
2018	(444,208)
2019	(444,208)
2020	18,774
	<u>\$ (1,758,058)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 10,132,047	\$ 5,362,370	\$ 1,336,268

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$106,956 for legally required employer contributions and \$71,264 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 8. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 841,007
Capital Projects: Statewide Sales, Services and Use Tax	Special Revenue: Jr/Sr High Support Trust	30,000
Total		<u>\$ 871,007</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 District construction projects to the Capital Projects Fund where it could be legally spent.

**Note 9. Risk Management**

Independence Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

**Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$625,396 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11. Construction Commitments**

As of June 30, 2015 the District had entered into contracts of \$500,258 for the construction of a new bus garage. As of June 30, 2015 costs of \$481,247 have been incurred against this contract. The remaining balance will be paid out as work on the project progresses and when completed the costs of the project will be added to the District's capital assets listing.

**Note 12. Deficit Unrestricted Net Position**

The District had a deficit unrestricted net position of \$4,256,305 in its governmental activities on the Statement of Net Position at June 30, 2015.

**Note 13. 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	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	801,988	1,515,131
Capital assets, net of accumulated depreciation	32,694,293	-	-
General obligation bond capitalized indebtedness	(10,140,000)	-	-
Revenue bond capitalized indebtedness	(8,255,000)	-	-
Computer lease indebtedness	-	-	(242,187)
Accrued interest payable	-	(66,020)	-
Income surtax	-	-	585,009
Internal service fund	-	-	754,418
Compensated absences	-	-	(60,902)
Pension related deferred outflows	-	-	1,098,126
Net pension liability	-	-	(5,243,861)
Pension related deferred inflows	-	-	(2,007,619)
Net OPEB liability	-	-	(654,420)
Net position (Exhibit A)	<u>\$ 14,299,293</u>	<u>735,968</u>	<u>(4,256,305)</u>

**Note 14. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 17,196,682	\$ 490,186
Net pension liability at June 30, 2014	(7,345,025)	(165,994)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	772,636	17,461
Net position July 1, 2014, as restated	<u>\$ 10,624,293</u>	<u>\$ 341,653</u>

## **Required Supplementary Information**

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 9,448,389	349,255	9,797,644	10,420,798	10,420,798	(623,154)
State sources	10,289,726	5,320	10,295,046	9,127,818	9,127,818	1,167,228
Federal sources	512,242	337,676	849,918	825,000	825,000	24,918
Total revenues	<u>20,250,357</u>	<u>692,251</u>	<u>20,942,608</u>	<u>20,373,616</u>	<u>20,373,616</u>	<u>568,992</u>
Expenditures/Expenses:						
Instruction	12,467,397	-	12,467,397	13,980,500	13,980,500	1,513,103
Support services	4,859,873	325	4,860,198	4,610,900	5,489,750	629,552
Non-instructional programs	1,225	706,016	707,241	762,650	762,650	55,409
Other expenditures	4,678,486	-	4,678,486	3,628,017	4,852,601	174,115
Total expenditures/expenses	<u>22,006,981</u>	<u>706,341</u>	<u>22,713,322</u>	<u>22,982,067</u>	<u>25,085,501</u>	<u>2,372,179</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,756,624)	(14,090)	(1,770,714)	(2,608,451)	(4,711,885)	2,941,171
Other financing sources, net	1,342,501	-	1,342,501	1,100,000	1,100,000	242,501
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/ expenses	(414,123)	(14,090)	(428,213)	(1,508,451)	(3,611,885)	3,183,672
Balances beginning of year, as restated	4,447,294	341,653	4,788,947	5,351,366	5,351,366	(562,419)
Balances end of year	<u>\$ 4,033,171</u>	<u>327,563</u>	<u>4,360,734</u>	<u>3,842,915</u>	<u>1,739,481</u>	<u>2,621,253</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

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.

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 \$2,103,434.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FISCAL YEAR \*  
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.132500%
District's proportionate share of the net pension liability	\$ 5,362,370
District's covered-employee payroll	\$ 9,304,591
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.63%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amount presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in the table. However, until a full ten-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS  
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 830,900	795,227	743,866	672,082	573,153	568,274	559,489	501,615	447,384	429,555
Contributions in relation to the statutorily required contribution	(830,900)	(795,227)	(743,866)	(672,082)	(573,153)	(568,274)	(559,489)	(501,615)	(447,384)	(429,555)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 9,304,591	8,905,118	8,579,769	8,328,154	8,246,806	8,176,604	8,810,850	8,291,157	7,780,591	7,470,522
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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
2015	July 1, 2014	-	2,846,635	2,846,635	0.0	8,581,212	33.2

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  
 SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION - CASH BASIS  
 COMPONENT UNIT  
 DECEMBER 31, 2014

	Mustang Foundation
<b>ASSETS</b>	
Cash and pooled investments	\$ 849,284
<b>LIABILITIES</b>	
	-
<b>NET POSITION</b>	
Unrestricted	\$ 849,284

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CASH BASIS  
COMPONENT UNIT  
YEAR ENDED DECEMBER 31, 2014

		Mustang Foundation
Revenue:		
Contributions, gifts, grants and similar amounts	\$	752,332
Investment income		3,471
Fundraising events		34,670
Program service		10,455
Corn sales		50,004
Unrealized gains on investments		932
Other		5,415
Total revenue		857,279
Expenses:		
Grants and similar amounts paid:		
Grants		664,202
Other:		
Bank fees		515
Accounting		1,860
Office expenses		5,705
Other		18,007
Total expenses		690,289
Change in net position		166,990
Net position beginning of year		682,294
Net position end of year	\$	849,284

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **Independence Community School District**

## **Supplementary Information**

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue			
	Management Levy	Student Activity	Jr./Sr. High Support Trust	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 521,326	148,900	85,031	755,257
Receivables:				
Property tax:				
Delinquent	3,162	-	-	3,162
Succeeding year	300,000	-	-	300,000
Accounts	-	3,752	-	3,752
<b>TOTAL ASSETS</b>	<b>\$ 824,488</b>	<b>152,652</b>	<b>85,031</b>	<b>1,062,171</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	5,466	30,000	35,466
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	300,000	-	-	300,000
Fund balances:				
Restricted for:				
Management levy purposes	524,488	-	-	524,488
Student activities	-	147,186	-	147,186
Support trust purposes	-	-	55,031	55,031
Total fund balances	524,488	147,186	55,031	726,705
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 824,488</b>	<b>152,652</b>	<b>85,031</b>	<b>1,062,171</b>

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, 2015

	Special Revenue			Total
	Manage- ment Levy	Student Activity	Jr/Sr. High Support Trust	
REVENUES:				
Local sources:				
Local tax	\$ 303,238	-	-	303,238
Other	15,646	420,693	85,031	521,370
State sources	165	-	-	165
TOTAL REVENUES	319,049	420,693	85,031	824,773
EXPENDITURES:				
Current:				
Instruction				
Regular	356,125	-	-	356,125
Other	-	419,550	-	419,550
Support services:				
Administration	2,094	1,429	-	3,523
Operation and maintenance of plant	121,738	-	-	121,738
Transportation	28,486	-	-	28,486
TOTAL EXPENDITURES	508,443	420,979	-	929,422
Excess(Deficiency) of revenues over(under) expenditures	(189,394)	(286)	85,031	(104,649)
OTHER FINANCING USES:				
Transfer out	-	-	(30,000)	(30,000)
Change in fund balances	(189,394)	(286)	55,031	(134,649)
Fund balances beginning of year	713,882	147,472	-	861,354
Fund balances end of year	\$ 524,488	147,186	55,031	726,705

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2015

	Capital Projects Funds		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 13,914	63,284	77,198
Receivables:			
Property tax:			
Delinquent	-	3,120	3,120
Succeeding year	-	303,452	303,452
Due from other governments	204,637	-	204,637
<b>TOTAL ASSETS</b>	<b>\$ 218,551</b>	<b>369,856</b>	<b>588,407</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 35,560	60,751	96,311
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	303,452	303,452
Fund balances:			
Restricted for:			
School infrastructure	182,991	-	182,991
Physical plant and equipment	-	5,653	5,653
Total fund balances	182,991	5,653	188,644
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 218,551</b>	<b>369,856</b>	<b>588,407</b>

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, 2015

	Capital Project Funds			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	New J/S High Rev Bond Fund	
REVENUES:				
Local sources:				
Local tax	\$ -	300,079	-	300,079
Other	22,788	2,816	3	25,607
State sources	1,310,427	163	-	1,310,590
TOTAL REVENUES	1,333,215	303,058	3	1,636,276
EXPENDITURES:				
Current:				
Instruction:				
Regular	350,251	47,558	-	397,809
Support services:				
Instructional staff	289	-	-	289
Administration	2,995	-	-	2,995
Operation and maintenance of plant	16,385	171,848	-	188,233
Transportation	-	666	-	666
Capital outlay	2,011,347	255,419	29,778	2,296,544
TOTAL EXPENDITURES	2,381,267	475,491	29,778	2,886,536
Deficiency of revenues over expenditures	(1,048,052)	(172,433)	(29,775)	(1,250,260)
OTHER FINANCING SOURCES(USES):				
Transfer in	30,000	-	-	30,000
Transfer out	(841,007)	-	-	(841,007)
Proceeds from Revenue bond issuance	1,300,000	-	-	1,300,000
Total other financing sources(uses)	488,993	-	-	488,993
Change in fund balances	(559,059)	(172,433)	(29,775)	(761,267)
Fund balances beginning of year	742,050	178,086	29,775	949,911
Fund balances end of year	\$ 182,991	5,653	-	188,644

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
<b>HIGH SCHOOL:</b>				
DRAMA	\$ 3,154	1,415	498	4,071
SPEECH	9,254	6,470	7,650	8,074
VOCAL MUSIC	11,805	5,613	3,605	13,813
BAND	13,589	21,180	25,102	9,667
BOYS CROSS COUNTRY	660	2,854	2,621	893
BOWLING	-	542	291	251
BOYS BASKETBALL	371	4,676	3,914	1,133
FOOTBALL	12,019	24,692	36,221	490
BOYS SOCCER	2,636	1,480	3,770	346
BASEBALL	4,089	10,151	11,842	2,398
BOYS TRACK	79	18	46	51
BOYS TENNIS	676	180	403	453
BOYS GOLF	91	340	333	98
WRESTLING	299	5,208	4,993	514
GIRLS BASKETBALL	938	8,627	7,085	2,480
VOLEYBALL	8,213	5,872	3,241	10,844
GIRLS SOCCER	956	3,761	66	4,651
SOFTBALL	645	10,506	10,501	650
GIRLS TRACK	-	7,983	7,921	62
GIRLS TENNIS	62	3,854	3,157	759
GIRLS GOLF	65	755	772	48
ACTIVITY	8,861	124,848	113,287	20,422
HS JR/SR HIGH CONCESSIONS	-	79,784	79,784	-
MUSICAL	13,295	19,513	27,598	5,210
BAND TRIP	31,421	12,861	16,674	27,608
AWARDS	500	-	-	500
YEARBOOK	(6,467)	15,181	8,524	190
STUDENT COUNCIL	2,647	9,704	8,331	4,020
A/V CLUB	252	2,925	2,360	817
FRENCH CLUB	161	-	-	161
GRADUATING CLASS	100	-	-	100
CHEERLEADERS	1,125	6,993	5,673	2,445
ROBOTICS	522	250	-	772
FFA	4,952	12,538	12,625	4,865
<b>MIDDLE SCHOOL:</b>				
BOYS CROSS COUNTRY	386	-	386	-
BOYS BASKETBALL	1,011	-	1,011	-
BOYS TRACK	18	-	18	-
WRESTLING	887	-	887	-
GIRLS BASKETBALL	630	-	630	-
VOLLEYBALL	623	-	623	-
GIRLS TRACK	31	-	31	-
FUNDRAISING	520	2,030	2,034	516
LAND TURNERS CLUB	37	-	37	-
BCSC	2,727	2,155	1,441	3,441
WEST ELEMENTARY	13,632	5,734	4,993	14,373
<b>TOTALS</b>	<b>\$ 147,472</b>	<b>420,693</b>	<b>420,979</b>	<b>147,186</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
INTERNAL SERVICE FUNDS  
COMBINING SCHEDULE OF NET POSITION  
JUNE 30, 2015

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
ASSETS:			
Cash and pooled investments	\$ 710,941	43,477	754,418
LIABILITIES	-	-	-
NET POSITION:			
Unrestricted	\$ 710,941	43,477	754,418

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
INTERNAL SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND NET POSITION  
YEAR ENDED JUNE 30, 2015

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
<b>OPERATING REVENUES:</b>			
Local sources:			
Miscellaneous	\$ 505,775	112,064	617,839
<b>OPERATING EXPENSES:</b>			
Instruction:			
Regular:			
Benefits	168,209	-	168,209
Support services:			
Student:			
Benefits	11,867	120,864	132,731
Instructional staff:			
Benefits	7,740	-	7,740
Administration:			
Benefits	65,821	-	65,821
Operation and maintenance of plant:			
Benefits	6,519	-	6,519
Transportation:			
Benefits	6,410	-	6,410
Total support services	98,357	120,864	219,221
Total operating expenses	266,566	120,864	387,430
OPERATING INCOME(LOSS)	239,209	(8,800)	230,409
<b>NON-OPERATING REVENUES:</b>			
Interest income	-	44	44
Change in net position	239,209	(8,756)	230,453
Net position beginning of year	471,732	52,233	523,965
Net position end of year	\$ 710,941	43,477	754,418

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
INTERNAL SERVICE FUNDS  
COMBINING SCHEDULE OF CASH FLOWS  
YEAR ENDED JUNE 30, 2015

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
Cash flows from operating activities:			
Cash received from miscellaneous	\$ 505,775	112,064	617,839
Cash payments to employees for services	-	(120,864)	(120,864)
Cash payments to suppliers for goods or services	(266,566)	-	(266,566)
Net cash provided by(used in) operating activities	<u>239,209</u>	<u>(8,800)</u>	<u>230,409</u>
Cash flows from investing activities:			
Interest on investments	-	44	44
Net increase(decrease) in cash and pooled investments	239,209	(8,756)	230,453
Cash and pooled investments beginning of year	<u>471,732</u>	<u>52,233</u>	<u>523,965</u>
Cash and pooled investments end of year	<u>\$ 710,941</u>	<u>43,477</u>	<u>754,418</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ 239,209	(8,800)	230,409
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities	-	-	-
Net cash provided by(used in) operating activities	<u>\$ 239,209</u>	<u>(8,800)</u>	<u>230,409</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, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 7,268	4,385	3,940	7,713
LIABILITIES				
Accounts payable	\$ 74	-	74	-
Due to other groups	7,194	4,385	3,866	7,713
TOTAL LIABILITES	\$ 7,268	4,385	3,940	7,713

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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 7,404,075	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
Tuition	1,182,760	1,010,851	904,295	814,874	760,709	807,405	925,280	826,479	739,581	662,747
Other	861,554	1,601,232	3,348,263	631,715	572,231	673,449	840,882	1,086,553	812,275	634,415
State sources	10,289,726	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
Federal sources	512,242	541,903	1,151,881	636,419	802,248	1,419,772	518,891	443,153	951,267	656,204
<b>Total</b>	<b>\$ 20,250,357</b>	<b>20,586,711</b>	<b>22,384,545</b>	<b>17,466,606</b>	<b>16,561,807</b>	<b>16,471,996</b>	<b>16,044,995</b>	<b>15,666,490</b>	<b>15,203,378</b>	<b>14,038,418</b>
Expenditures:										
Instruction	\$ 12,467,397	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
Support services:										
Student	567,947	557,066	542,217	505,937	442,707	449,996	515,751	497,687	414,230	429,335
Instructional staff	336,113	369,406	372,078	244,893	319,871	402,599	484,002	1,062,218	530,699	554,042
Administration	1,732,071	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
Operation and maintenance of plant	1,566,330	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
Transportation	657,412	706,086	482,288	559,096	510,183	470,334	617,555	439,476	577,204	443,561
Non-instructional programs	1,225	1,200	1,958	1,784	1,724	1,514	1,440	1,558	8,733	1,474
Capital outlay	2,296,544	4,729,768	18,700,774	3,525,532	480,325	361,533	458,891	299,440	1,449,724	425,213
Long-term debt:										
Principal	1,282,660	1,260,153	1,190,000	165,000	160,000	169,334	391,363	282,699	235,000	100,000
Interest and fiscal charges	473,886	471,627	467,583	127,302	9,270	14,500	202,724	16,261	40,470	14,836
Other expenditures:										
Judgments against LEA	-	-	-	-	-	-	173,805	-	-	-
AEA flow-through	625,396	601,389	577,426	591,985	652,768	635,787	554,260	524,432	497,369	465,666
<b>Total</b>	<b>\$ 22,006,981</b>	<b>23,808,739</b>	<b>36,890,629</b>	<b>19,365,213</b>	<b>15,830,963</b>	<b>15,712,134</b>	<b>17,082,934</b>	<b>15,990,879</b>	<b>15,837,503</b>	<b>13,484,824</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	42,531
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	295,145 *
			<u>337,676</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 15	<u>168,330</u>
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN AND YOUTH	84.013	FY 15	<u>32,835</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 15	<u>58,125</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 15	<u>6,750</u>
AREA EDUCATION AGENCY 267:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 15	<u>67,533</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	<u>12,729</u>
TOTAL			<u>\$ 683,978</u>

\* Includes \$71,312 of non-cash awards

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, 2015, 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 10, 2016.

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-15 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, 2015 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 10, 2016.  
Newton, Iowa

**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 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, 2015. 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, 2015.

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. Accordingly, we do not express an opinion on the effectiveness of the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance 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 10, 2016  
Newton, Iowa

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

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, 2015

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

- II-A-15 Timely Deposits and Receipting Controls - During our audit we noted a deposit dated in August 2014 which appears to contain revenues relating to money collected in April 2014 for yearbook advertising and we also noted another deposit dated August 2014 which included revenue relating to money collected in May 2014 for a volleyball fundraiser in the Student Activity Fund.

Recommendation - Due to the amount of time passed from when the receipts mentioned above were collected to when they were deposited gives the appearance of a breakdown in the District's receipting controls. The District should review procedures and controls relating to the District's receipt process with all District employees who are responsible for collecting, receipting or depositing District funds, especially in the Student Activity Fund. The District should also develop procedures to ensure all money which belongs to the District is collected, receipted, and deposited at the appropriate District financial institution in a timely manner.

Response - A meeting has been held with all appropriate personnel to review procedures and expectations. The Activities Director will also address the issue with all coaches/sponsors at their fall meeting.

Conclusion - Response accepted.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2015

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-15 Certified Budget - District disbursements for the year ended June 30, 2015 did not exceed the certified budget.

IV-B-15 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-15 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-15 Business Transactions - Business transactions between the District and District officials and employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jami Tekippe, Secretary Spouse owns Hardware Hank	Supplies	\$2,823
Brian Eddy, Board President Co-owner of Fusion Forward	Services(Per Bid)	\$14,572

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse of Jami Tekippe 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 as these services were publicly bid by the District and the board member recused himself from the vote.

IV-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- IV-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds. However, we noted during our audit that the District coded student presentation expenses to its professional development for model core curriculum project. These do not appear to be appropriate expenses as set out by Iowa Administrative Code 281 Chapter 98.26. The following shows the adjustment made by the District to the ending restricted balance for the teacher salary supplement program:

	Restricted Balance on District's CAR	Amount of Expense Adjustment	Audited Ending Restricted Balance
Professional Development for Model Core Curriculum	\$ 73,948	6,821	80,769

Recommendation - The District should review expenses coded to professional development for model core curriculum and ensure they meet “appropriate uses” as defined in Chapter 98 of the Iowa Administrative Code” Financial Management of Categorical Funding.” The District should contact the Iowa Department of Education regarding corrective action.

Response - The inappropriate purchase has been corrected going forward.

Conclusion - Response accepted.

- IV-L-15 Financial Condition - The District had a deficit unrestricted net position in its governmental activities on its Statement of Net Position of \$4,256,305 at June 30, 2015. The primary reason for this deficit net position is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District’s administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District’s financials moving forward.

Response - An explanation will be drafted and sent to each board member to ensure an understanding of GASB Statements No. 68 and No. 71 and how it will affect the District moving forward.

Conclusion - Response accepted.

IV-M-15 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, 2015, 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 2015 audit.

Beginning Balance		\$ 742,050
Revenues:		
Sales tax revenues	1,310,427	
Other local revenues	22,788	
Proceeds from revenue bond issuance	1,300,000	
Transfers from other funds	30,000	2,663,215
		<u>3,405,265</u>
Expenditures:		
School infrastructure construction	\$ 1,907,098	
Equipment	396,882	
Other	77,287	
Transfers to other funds:		
Debt service fund	841,007	3,222,274
		<u>182,991</u>
Ending balance		<u>\$ 182,991</u>

For the year ended June 30, 2015 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

IV-N-15 Sale of Real Property - We noted during our audit that the District sold its former bus garage during the year. However, we noted the District recorded the proceeds from this sale as revenue of \$42,501 in the District's General Fund. According to Iowa Code Chapter 279.22, "Proceeds from the sale of disposition of real property shall be placed in the physical plant and equipment levy fund." The proceeds should have been recorded in the Capital Projects: Physical Plant and Equipment Levy Fund, as a result, we are requesting a corrective transfer by the District from the General Fund to the Capital Projects: Physical Plant and Equipment Levy Fund of \$42,501.

Recommendation - The District should have the Board of Education approve a corrective transfer from the General Fund to the Capital Projects: Physical Plant and Equipment Levy Fund in the amount of \$42,501.

Response - These funds will be transferred to the appropriate fund with board approval.

Conclusion - Response accepted.