

INDEPENDENCE 30 SCHOOL DISTRICT

JACKSON COUNTY, MISSOURI

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2015

INDEPENDENCE 30 SCHOOL DISTRICT
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FINANCIAL SECTION



Daniel Jones & Associates

CERTIFIED PUBLIC ACCOUNTANTS

DRAFT

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Education
Independence 30 School District

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the blended component unit, each major fund and the remaining fund information of Independence 30 School District ("District"), Missouri, 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 as 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 the modified cash basis of accounting described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 that 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 modified cash basis financial position of the governmental activities, the blended component unit, each major fund and the remaining fund information of the District as of June 30, 2015, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note I.

Basis of Accounting

We draw attention to Note I of the financial statements that describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedules and the schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules presented on pages 36 through 40 and the schedule of expenditures of federal awards presented on pages 52 and 53 are the responsibility of management and were derived from and relate 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, on our consideration of the District's internal control over financial reporting and on 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 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 the District's internal control over financial reporting and compliance.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

December 11, 2015

BASIC FINANCIAL STATEMENTS

**INDEPENDENCE 30 SCHOOL DISTRICT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AS OF JUNE 30, 2015**

| | GOVERNMENTAL ACTIVITIES |
|--|------------------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents (Note II) | \$ 30,660,610.19 |
| Investments | 1,997,000.00 |
| Prepaid Payroll Expenses | 198,626.00 |
| Lease Receivable | 651,470.00 |
| TOTAL CURRENT ASSETS | 33,507,706.19 |
| Restricted Assets: | |
| Cash and Cash Equivalents for Debt Service | 2,420,189.89 |
| Investments for Debt Service | 4,686,420.00 |
| TOTAL RESTRICTED ASSETS | 7,106,609.89 |
| TOTAL ASSETS | 40,614,316.08 |
| LIABILITIES | |
| Current Liabilities: | |
| Payroll Withholdings | 2,643.77 |
| Deferred Revenue | 4,614.84 |
| TOTAL CURRENT LIABILITIES | 7,258.61 |
| TOTAL LIABILITIES | 7,258.61 |
| NET POSITION | |
| Restricted: | |
| Scholarships | 2,206,420.83 |
| Professional Development | 127,764.42 |
| Inspiring Greatness Activity | 308,983.10 |
| Debt Service | 7,106,609.89 |
| Unrestricted: | 30,857,279.23 |
| TOTAL NET POSITION | 40,607,057.47 |
| TOTAL LIABILITIES AND NET POSITION | \$ 40,614,316.08 |

The notes to the financial statements are an integral part of this statement.

INDEPENDENCE 30 SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2015

| FUNCTIONS / PROGRAMS | EXPENSES | PROGRAM REVENUES | | | NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION |
|---|--------------------------|-------------------------|---------------------------------------|--|--|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES |
| GOVERNMENTAL ACTIVITIES | | | | | |
| Instruction | \$ 78,320,643.85 | \$ 1,610,469.07 | \$ 3,666,249.28 | \$ 200,919.13 | \$ (72,843,006.37) |
| Student Services | 8,000,958.92 | - | 2,388,012.59 | - | (5,612,946.33) |
| Instructional Staff Support | 13,522,130.86 | - | 3,960,389.37 | 289,806.78 | (9,271,934.71) |
| Building Administration | 9,130,292.69 | - | - | - | (9,130,292.69) |
| General Admin & Central Services | 4,680,678.36 | - | 229,869.85 | - | (4,450,808.51) |
| Operation of Plant | 18,761,607.63 | 269,642.63 | 168,427.21 | 1,000.00 | (18,322,537.79) |
| Transportation | 9,900,764.07 | 466,788.04 | 2,670,811.05 | - | (6,763,164.98) |
| Food Services | 9,104,565.97 | 2,050,813.94 | 7,056,165.56 | - | 2,413.53 |
| Community Services | 12,232,972.20 | 3,187,145.89 | 5,947,092.58 | 39,725.15 | (3,059,008.58) |
| Capital Outlay | 4,856,904.36 | - | 37,795.64 | 61,047.70 | (4,758,061.02) |
| Debt Service: | | | | | |
| Interest and Fiscal Charges | 12,095,930.61 | - | - | - | (12,095,930.61) |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ 180,607,449.52 | \$ 7,584,859.57 | \$ 26,124,813.13 | \$ 592,498.76 | (146,305,278.06) |
| GENERAL REVENUES | | | | | |
| Property Taxes, Levied For General Purposes | | | | | 40,336,970.47 |
| Property Taxes, Levied For Debt Service | | | | | 11,563,871.90 |
| Other Taxes | | | | | 1,475,171.30 |
| Prop C - Sales Tax | | | | | 14,339,124.60 |
| Federal, State and County Aid Not Restricted To Specific Purposes | | | | | 70,800,427.77 |
| Interest and Investment Earnings | | | | | 1,263,963.59 |
| Sale of Bonds | | | | | - |
| Miscellaneous - Debt Service | | | | | - |
| Miscellaneous | | | | | 209,132.24 |
| SUBTOTAL GENERAL REVENUES | | | | | 139,988,661.87 |
| CHANGE IN NET POSITION | | | | | (6,316,616.19) |
| NET POSITION JULY 1, 2014 | | | | | 46,923,673.66 |
| NET POSITION JUNE 30, 2015 | | | | | \$ 40,607,057.47 |

The notes to the financial statements are an integral part of this statement.

INDEPENDENCE 30 SCHOOL DISTRICT
BALANCE SHEET
MODIFIED CASH BASIS - ALL GOVERNMENTAL FUNDS
AS OF JUNE 30, 2015

| | GENERAL FUND | SPECIAL REVENUE FUND | DEBT SERVICE FUND | CAPITAL PROJECTS FUND | TOTAL GOVERNMENTAL FUNDS |
|--|-------------------------|----------------------------|------------------------|--------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 29,174,880.72 | \$ 436,747.52 | \$ - | \$ 1,048,981.95 | \$ 30,660,610.19 |
| Investments | 1,997,000.00 | - | - | - | 1,997,000.00 |
| Prepaid Payroll Obligations | 198,626.00 | - | - | - | 198,626.00 |
| Lease Receivable | 651,470.00 | - | - | - | 651,470.00 |
| Restricted Assets: | | | | | |
| Cash and Cash Equivalents - Debt Service | - | - | 2,420,189.89 | - | 2,420,189.89 |
| Investments - Debt Service | - | - | 4,686,420.00 | - | 4,686,420.00 |
| TOTAL ASSETS | \$ 32,021,976.72 | \$ 436,747.52 | \$ 7,106,609.89 | \$ 1,048,981.95 | \$ 40,614,316.08 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Payroll Withholdings | \$ 2,643.77 | \$ - | \$ - | \$ - | \$ 2,643.77 |
| Unearned Income | 4,614.84 | - | - | - | 4,614.84 |
| TOTAL LIABILITIES | 7,258.61 | - | - | - | 7,258.61 |
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Prepaid Payroll Obligations | 198,626.00 | - | - | - | 198,626.00 |
| Restricted: | | | | | |
| Student Scholarships | 2,206,420.83 | - | - | - | 2,206,420.83 |
| Professional Development | - | 127,764.42 | - | - | 127,764.42 |
| Inspiring Greatness Activity | - | 308,983.10 | - | - | 308,983.10 |
| Debt Service | - | - | 7,106,609.89 | - | 7,106,609.89 |
| Committed: | | | | | |
| Special Insurance Fund | 1,438,144.74 | - | - | - | 1,438,144.74 |
| Assigned: | | | | | |
| Student Activities | 1,223,413.79 | - | - | - | 1,223,413.79 |
| Unassigned | 26,948,112.75 | - | - | 1,048,981.95 | 27,997,094.70 |
| TOTAL FUND BALANCES | 32,014,718.11 | 436,747.52 | 7,106,609.89 | 1,048,981.95 | 40,607,057.47 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 32,021,976.72 | \$ 436,747.52 | \$ 7,106,609.89 | \$ 1,048,981.95 | \$ 40,614,316.08 |

The notes to the financial statements are an integral part of this statement.

INDEPENDENCE 30 SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

| | GENERAL FUND | SPECIAL REVENUE FUND | DEBT SERVICE FUND | CAPITAL PROJECTS FUND | TOTAL GOVERNMENTAL FUNDS |
|--|-------------------------|-------------------------|------------------------|--------------------------|-----------------------------|
| REVENUES | | | | | |
| Local Sources | \$ 48,942,554.19 | \$ 14,362,739.34 | \$ 11,928,292.50 | \$ 1,937,355.20 | \$ 77,170,941.23 |
| County Sources | 2,196,789.27 | 144,611.09 | 606,366.30 | - | 2,947,766.66 |
| State Sources | 6,548,557.95 | 64,055,700.57 | - | 4,798,953.40 | 75,403,211.92 |
| Federal Sources | 13,026,610.26 | 5,300,002.67 | - | 134,740.58 | 18,461,353.51 |
| Other | 76,660.07 | 184,673.23 | - | 46,226.71 | 307,560.01 |
| TOTAL REVENUES | 70,791,171.74 | 84,047,726.90 | 12,534,658.80 | 6,917,275.89 | 174,290,833.33 |
| EXPENDITURES | | | | | |
| CURRENT | | | | | |
| Instruction | 12,013,052.44 | 66,009,699.36 | - | 297,892.05 | 78,320,643.85 |
| Student Services | 5,296,011.81 | 2,702,764.56 | - | 2,182.55 | 8,000,958.92 |
| Instructional Support Staff | 5,794,509.25 | 6,732,912.38 | - | 994,709.23 | 13,522,130.86 |
| Building Level Administration | 2,838,751.70 | 6,291,540.99 | - | - | 9,130,292.69 |
| General Admin. & Central Services | 3,973,739.96 | 690,034.40 | - | 16,904.00 | 4,680,678.36 |
| Operation of Plant | 15,811,458.93 | - | - | 2,950,148.70 | 18,761,607.63 |
| Pupil Transportation | 8,345,812.07 | - | - | 1,554,952.00 | 9,900,764.07 |
| Food Service | 8,899,032.91 | - | - | 205,533.06 | 9,104,565.97 |
| Community Services | 10,676,708.04 | 1,476,531.83 | - | 79,732.33 | 12,232,972.20 |
| Capital Outlay | - | - | - | 4,856,904.36 | 4,856,904.36 |
| Debt Service: | | | | | |
| Interest and Charges | - | - | 11,056,407.15 | 1,039,523.46 | 12,095,930.61 |
| TOTAL EXPENDITURES | 73,649,077.11 | 83,903,483.52 | 11,056,407.15 | 11,998,481.74 | 180,607,449.52 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (2,857,905.37) | 144,243.38 | 1,478,251.65 | (5,081,205.85) | (6,316,616.19) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers | (430,507.26) | - | (1,150,066.26) | 1,580,573.52 | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (430,507.26) | - | (1,150,066.26) | 1,580,573.52 | - |
| NET CHANGE IN FUND BALANCES | (3,288,412.63) | 144,243.38 | 328,185.39 | (3,500,632.33) | (6,316,616.19) |
| FUND BALANCES JULY 1, 2014 | 35,303,130.74 | 292,504.14 | 6,778,424.50 | 4,549,614.28 | 46,923,673.66 |
| FUND BALANCES JUNE 30, 2015 | \$ 32,014,718.11 | \$ 436,747.52 | \$ 7,106,609.89 | \$ 1,048,981.95 | \$ 40,607,057.47 |

The notes to the financial statements are an integral part of this statement.

INDEPENDENCE 30 SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE GOVERNMENT-WIDE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AS OF JUNE 30, 2015

Amounts reported for governmental activities in the statement of activities are different because

| | |
|---|--------------------------------|
| TOTAL FUND BALANCE - GOVERNMENTAL FUNDS | \$ 40,607,057.47 |
| There are no reconciling items. | <u>-</u> |
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | <u>\$ 40,607,057.47</u> |

The notes to the financial statements are an integral part of this statement.

**INDEPENDENCE 30 SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (6,316,616.19)

There are no reconciling items. -

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (6,316,616.19)

The notes to the financial statements are an integral part of this statement.

**INDEPENDENCE 30 SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS (UNAUDITED) -
FIDUCIARY (AGENCY) FUND
AS OF JUNE 30, 2015**

| | Flex Spending |
|---|----------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 187,432.93 |
| Total Assets | 187,432.93 |
| LIABILITIES | |
| Future Claims Payable and Others | 187,432.93 |
| Total Liabilities | 187,432.93 |
| NET POSITION | |
| Net Investment in Capital Assets | - |
| Restricted | - |
| Unrestricted | - |
| Total Net Position | - |
| TOTAL LIABILITIES AND NET POSITION | \$ 187,432.93 |

The notes to the financial statements are an integral part of this statement.

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Independence 30 School District ("District") was established in 1866 under the Statutes of the State of Missouri. The District operates as a "six director" District (with seven members of the Board of Education) as described in RSMo Chapter 162.

The School District, located in Jackson County, serves an area of approximately 31 square miles. It is staffed by 1,085 non-certified employees, 1,015 certificated full-time teaching personnel, and 88 administrative employees who provide services to approximately 14,264 students and other community members. The School District currently operates 19 early education/elementary schools (PK-5), four middle schools (6-8), three high schools (9-12), one alternative school and two Early Education Centers.

Reporting Entity

A reporting entity comprises the primary government, component units, and other organizations that are included to ensure that the District's financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Independence 30 School District, this includes general operations, food service, and student-related activities.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. As of June 30, 2015, the District has the following component unit:

Independence School District Public Building Corporation

This component unit was incorporated under Missouri statutes as a not-for-profit organization for acquisition, construction, improvement, extension, repair, remodeling, renovation and financing of public sites, buildings, furnishings and equipment for the District's use for educational purposes.

Due to the nature of the Corporation's business, the District has elected not to present the component unit separately, but rather to report it in the Governmental Activities.

Excluded from the reporting entity are the Public School Retirement System of Missouri and the Public Education Employee Retirement System. The participating school districts' governing bodies have appointed these potential component units jointly. These are independent units that select management staff, set user charges, establish budgets and control all aspects of its daily activity.

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District's financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting (OCBOA) other than generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. For the year ended June 30, 2015, all of the District's activities are classified as governmental.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the non-fiduciary financial activities of the primary government. The effect of inter-fund activity has been eliminated from these statements. These statements report those activities of the District that are governmental (i.e. generally supported by taxes and intergovernmental revenues). Fiduciary funds are not included in the government-wide financial statements.

The Statement of Net Position presents the financial condition of the District's governmental activities at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenditures are those that are specifically associated with a service, program, or department, and therefore, are clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as the District's general revenues, with certain limited exceptions.

The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or drawing from the District's general receipts.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The District's policy is to prepare its government-wide financial statements on the modified cash basis of accounting; consequently, revenues are recognized when received rather than when earned, and expenditures and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. The purchase of investments is recorded as assets.

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

Fund financial statements report detailed information about the District. The District segregates transactions related to certain functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The District believes that all the funds presented are important to the users of its financial statements; therefore, it considers the General Fund, Special Revenue Fund, Debt Service Fund, and Capital Projects Fund all to be major.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The District's policy is to prepare its fund financial statements on the modified cash basis of accounting; consequently, revenues are recognized when received rather than when earned, and expenditures and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

Fiduciary Fund Statements

Agency – Agency funds are used to account for assets held by the District in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similarly to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for the flex spending account of the District.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid.

The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General (Incidental) Fund: Accounts for general activities of the District, including student activities and food service, which are not required to be accounted for in another fund.

Special Revenue (Teachers') Fund: Accounts for expenditures for certified employees involved in administration and instruction. It includes revenues restricted by the state and local tax levy for the payment of teacher salaries and certain employee benefits.

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Projects Fund: Accounts for the proceeds of long-term debt, taxes and other revenues restricted for acquisition or construction of major capital assets and certain equipment designated by Missouri statute.

Debt Service Fund: Accounts for the accumulation of resources for and the payment of, principal, interest and finance charges on general long-term debt.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves modifications to the cash basis of accounting to report in the Statement of Net Position or Balance Sheet cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, payroll withholdings and deferred revenue arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid, and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event (such as donated assets and post-employment benefit obligations) are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the District utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types (if any) would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Fiduciary Funds are maintained on the cash basis of accounting. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the cash basis of accounting, revenue is recorded when received and expenditures are recorded when paid.

Cash with Fiscal Agents

To improve cash management, all cash received by the District is pooled. Monies for all funds, except for the Debt Service funds are maintained in this pool. Individual fund integrity is maintained through District records. (State law requires that all deposits of the Debt Service Fund be kept separate and apart from all other funds of the District). Each fund type's portion of this pool is displayed on the Governmental Funds Balance Sheet as "Cash and Cash Equivalents and Investments" under each fund's caption.

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements Debt Service Fund as "Investments" and "Investments in Escrow" and includes MOHEFA funds and other District purchased U.S. Government Securities.

Teachers' Salaries

Payroll checks written and dated in June 2015, for July and August 2015, payrolls from 2014-2015 contracts are included in the financial statements as an expenditure paid in the month of June. This practice has been consistently followed in the previous years.

Post-Employment Benefits

In addition to the pension benefits described in Note VII, the District makes available post-retirement healthcare benefits to all employees who retire from the District. Participation by retirees in the District health plan is subjected to terms and conditions set forth in the Board Policy. The District has not made a formal evaluation or projection on the future cost of the existing health care benefit plan in relation to retirees. There were 106 retiree participants with premiums totaling \$155,234.44 at year end.

COBRA Benefits - Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides healthcare benefits to eligible former and retired employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid by the insured monthly for the next month's coverage. This program is offered for 18 months after the termination date. There is no associated cost to the District under this program, and there were 46 participants at year end. Premiums of \$68,436.81 were paid during the year.

Net Position/ Fund Balance Classifications

Net position represents the difference between assets and liabilities.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

INDEPENDENCE 30 SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- [1] Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g., inventories and prepaids) or funds that legally or contractually must remain intact.
- [2] Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.
- [3] Committed Fund Balance consists of funds that are set aside for a specific purpose by the District's highest level of decision-making authority, the Board of Education. Formal action by vote must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
- [4] Assigned Fund Balance consists of funds that are set aside for a specific purpose by the District's highest level of decision-making authority, the Board of Education, or a body or official, such as the Chief Financial Officer, who has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.
- [5] Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The Board of Education has the authority to set aside funds for a specific purpose. Commitments are authorized by formal Board resolution. The Board delegates the authority to assign amounts for specific purpose(s) to the chief financial officer.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.

As of June 30, 2015, fund balance components other than unassigned fund balances consist of the following:

| | <u>Nonspendable</u> | <u>Restricted</u> | <u>Committed</u> | <u>Assigned</u> |
|-----------------------|----------------------|------------------------|------------------------|------------------------|
| General Fund | \$ 198,626.00 | \$ 2,206,420.83 | \$ 1,438,144.74 | \$ 1,223,413.79 |
| Special Revenue Fund | - | 436,747.52 | - | - |
| Debt Service Fund | - | 7,106,609.89 | - | - |
| Capital Projects Fund | - | - | - | - |
| Total | <u>\$ 198,626.00</u> | <u>\$ 9,749,778.24</u> | <u>\$ 1,438,144.74</u> | <u>\$ 1,223,413.79</u> |

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Extraordinary and Nonrecurring Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Nonrecurring items are transactions or events that are within the control of the Board of Education and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year 2015.

Revenues-Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the modified cash basis when the District receives the revenue.

Non-exchange transactions, in which the District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On a modified cash basis, revenue from property taxes is recognized in the fiscal year for which the taxes are collected. Revenue from grants, entitlements and donations is recognized in the fiscal year in which the funds are received and eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Flex Spending Arrangement

This arrangement allows participating employees to make pre-tax contributions to the flexible spending arrangement accounts for reimbursements of health and/or dependent care expenses.

Inventories

The District does not maintain inventory cost records. Inventory is deemed to be immaterial and is accounted for using the purchase method in which supplies are charged to expenditures when purchased.

INDEPENDENCE 30 SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

II. CASH AND INVESTMENTS

Deposits

Missouri state statute requires that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. The District maintains a cash pool that is available for use by the General Fund, Special Revenue Fund and Capital Projects Fund.

Each fund type's portion of this pool is displayed on the Balance Sheet as "Cash and Investments" under each fund's caption. State law requires that all deposits of the Debt Service Fund be kept separate and apart from all other funds of the District.

At June 30, 2015, the carrying amount of the District's pooled deposits and investments was \$35,077,800.08 and the bank balance was \$46,194,686.16. At year end, the District's carrying amount of non-pooled deposits and investments was \$4,686,420.00, and the bank balance was \$4,686,420.00. Of the bank balances, \$250,000.00 was covered by federal depository insurance and the remaining balance was collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Investments

The District may purchase any investments allowed by the State Treasurer and Repurchase Agreements. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than five years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law.

As of June 30, 2015, the District's investments included U.S. Government Securities that are not subject to credit risk. A summary of the District's investments as of June 30, 2015, are as follows:

| | <u>Average Maturity</u> | <u>Cost Amount</u> | <u>Market Amount</u> |
|---------------------------------|-----------------------------|------------------------|--------------------------|
| <u>Pooled Investments</u> | | | |
| Tennessee Valley Authority | > 5 years | \$ 1,997,000.00 | \$ 2,418,926.00 |
| Subtotal Pooled Investments | | <u>1,997,000.00</u> | <u>2,418,926.00</u> |
| <u>Non-Pooled Investments</u> | | | |
| MOHEFA | > 5 years | <u>4,686,420.00</u> | <u>4,686,420.00</u> |
| Subtotal Non-Pooled Investments | | <u>4,686,420.00</u> | <u>4,686,420.00</u> |
| Total Investments | | <u>\$ 6,683,420.00</u> | <u>\$ 7,105,346.00</u> |

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's investment policy does not include custodial credit risk requirements. The District's deposits were not exposed to custodial credit risk for the year ended June 30, 2015.

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

II. CASH AND INVESTMENTS (concluded)

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the District or its agent but not in the government's name. The District does not have a policy for custodial credit risk relating to investments. All investments, evidenced by individual securities, are registered in the name of the District or of a type not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of investment credit risk is required to be disclosed by the District for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The District has a policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The District's deposits were not exposed to concentration of investment credit risk for the year ended June 30, 2015.

State law is very strict regarding allowable investments for school districts. Under a very limited situation, the District has made an investment purchase that exceeds the maturity period allowable but is of a type allowable under state law. Two Tennessee Valley Authority bonds maturing April 1, 2056, were purchased by the District with a par value of \$1,000,000 each for purposes of the Phil Roberts Scholarship Fund. The purchase of the specific TVAs was a requirement by the donor to provide consistent revenue for future scholarships. The District has no other investments or intentions of purchasing other investments outside of those allowable by state law.

III. TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable by December 31. The county collects the property tax and remits it to the District.

The District also receives sales tax collected by the State, and it is remitted based on a prior year weighted average attendance. The District is required to reduce its property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year. In October 1994, the patrons of the Independence 30 School District voted to forego this reduction in property taxes, thus earmarking the entire amount for education.

The assessed valuation of the tangible taxable property for the calendar year 2014, for purposes of local taxation, was \$914,202,317.

INDEPENDENCE 30 SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

III. TAXES (concluded)

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2014, for purposes of local taxation, was:

| | Unadjusted | Adjusted |
|-------------------|------------|-----------|
| General Fund | \$ 4.4300 | \$ 4.4300 |
| Debt Service Fund | 1.2700 | 1.2700 |
| Total | \$ 5.7000 | \$ 5.7000 |

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2015, aggregated approximately 99.60% of the current assessment computed on the basis of the levy as shown above.

IV. INTERFUND TRANSFERS

| | Transfer In | Transfer Out |
|-----------------------|-----------------|-----------------|
| General Fund | \$ - | \$ 430,507.26 |
| Special Revenue Fund | - | - |
| Debt Service Fund | - | 1,150,066.26 |
| Capital Projects Fund | 1,580,573.52 | - |
| Total | \$ 1,580,573.52 | \$ 1,580,573.52 |

Interfund transfers for the year ended June 30, 2015, consisted of \$1,580,573.52 to the Capital Projects Fund; \$30,507.26 from the General Fund to the Capital Projects Fund; and \$1,150,066.26 from the Debt Service Fund to the Capital Projects Fund. The transfer from the General Fund was for food service equipment and DESE calculated transportation costs. The transfer from the Debt Service Fund was for the building portion of lease series 2008A.

V. LONG-TERM DEBT

Long-term debt balances and activity of the District's governmental activities for the year ended June 30, 2015, were as follows:

| | Balance July 1, 2014 | Additions | Reductions | Balance June 30, 2015 | Amounts Due Within One Year |
|------------------|-------------------------|-----------|-----------------|--------------------------|-----------------------------------|
| General | | | | | |
| Obligation Bonds | \$ 130,755,000.00 | \$ - | \$ 5,500,000.00 | \$ 125,255,000.00 | \$ 6,000,000.00 |
| Total Long-Term | | | | | |
| Debt | \$ 130,755,000.00 | \$ - | \$ 5,000,000.00 | \$ 125,255,000.00 | \$ 6,000,000.00 |

INDEPENDENCE 30 SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

V. LONG-TERM DEBT (continued)

General obligation bonds payable at June 30, 2015, consist of:

| | |
|--|--------------------------|
| \$40,825,000 general obligation refunding bonds, dated April 1, 2004, due in varying installments through March 1, 2018, interest at 2.00% to 5.00% | \$ 6,000,000.00 |
| \$10,000,000 general obligation refunding bonds, dated May 1, 2007, due in varying installments through March 1, 2023, interest at 4.00% | 10,000,000.00 |
| \$25,000,000 general obligation school building bonds, dated February 1, 2010, due in varying installments through March 1, 2029, interest at 3.75% to 5.00% | 25,000,000.00 |
| \$5,925,000 qualified school construction bonds, dated June 15, 2010, due in varying installments through March 1, 2027, interest at 5.35% being funded by taxable build America funds | 5,925,000.00 |
| \$24,075,000 general obligation school building bonds, dated June 15, 2010, due in varying installments through March 1, 2030, interest at 4.00% to 5.00% | 24,075,000.00 |
| \$30,000,000 tax-exempt general obligation school bonds, dated March 1, 2011, due in varying installments through March 1, 2031, interest at 5.250% | 30,000,000.00 |
| \$10,020,000 general obligation refunding bonds, dated August 30, 2011, due in varying installments through March 1, 2021, interest at 2.00% to 5.00% | 10,020,000.00 |
| \$6,905,000 general obligation refunding bonds, dated February 28, 2013, due in varying installments through March 1, 2023, interest at 4.910% to 5.000% | 6,905,000.00 |
| \$7,330,000 general obligation refunding bonds dated February 27, 2014, due in varying installments through March 1, 2019, interest at 3.00% | <u>7,330,000.00</u> |
| Total | <u>\$ 125,255,000.00</u> |

General obligation bond debt service requirements to maturity are:

| Year Ended June 30, | Principal | Interest | Total |
|---------------------|--------------------------|-------------------------|--------------------------|
| 2016 | \$ 6,000,000.00 | \$ 5,399,056.26 | \$ 11,399,056.26 |
| 2017 | 5,030,000.00 | 5,099,056.26 | 10,129,056.26 |
| 2018 | 5,610,000.00 | 4,961,256.26 | 10,571,256.26 |
| 2019 | 5,440,000.00 | 4,781,981.26 | 10,221,981.26 |
| 2020 | 5,000,000.00 | 4,591,718.76 | 9,591,718.76 |
| 2021-2025 | 32,175,000.00 | 19,667,768.76 | 51,842,768.76 |
| 2026-2030 | 59,000,000.00 | 10,543,750.00 | 69,543,750.00 |
| 2031-2032 | <u>7,000,000.00</u> | <u>367,500.00</u> | <u>7,367,500.00</u> |
| Totals | <u>\$ 125,255,000.00</u> | <u>\$ 55,412,087.56</u> | <u>\$ 180,667,087.56</u> |

INDEPENDENCE 30 SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

V. LONG-TERM DEBT (concluded)

General obligation bond debt service payments are made from the Debt Service Fund.

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a district to 15% of the assessed valuation of a district (including state-assessed railroad and utilities). The District did not exceed its legal debt margin at June 30, 2015.

VI. LEASES

Operating Leases:

The District leases buses under several operating lease agreements with Blue Bird Bus Company that will expire in 2022. The terms of the agreements include varying annual lease payments, totaling \$875,200.80 for the year ended June 30, 2015. Although all lease agreements provide for canceling the lease at the District's option at the renewal date each year, the District does not foresee exercising its option to cancel. Payments are made from the General Fund.

The following is a schedule of the future minimum lease payments under the leases (assuming non-cancellation):

| Year Ended June 30, | Buses |
|------------------------|----------------------|
| 2016 | \$ 215,668.30 |
| 2017 | 210,668.30 |
| 2018 | 146,700.00 |
| 2019 | 104,700.00 |
| 2020 | 104,700.00 |
| 2021-2022 | 92,764.20 |
| Totals | \$ <u>875,200.80</u> |

Capital Leases:

The District has entered into lease agreements for the Annexation and Independence Regional Innovation Center Projects as described below. The terms of the agreements include varying semi-annual lease payments totaling \$2,401,805.39 for the year ended June 30, 2015.

Annexation Project Lease

Eight school buildings and approximately 2,500 students were annexed from Kansas City, Missouri School District following a November 2007 vote that included voters of both districts. The State appointed Board of Arbitration decided that the Independence School District would compensate the Kansas City, Missouri School District for the real and personal property transferred July 2008. The District worked with the Missouri School Boards Association, Commerce Bank, N.A. and George K. Baum & Company to issue lease certificates to pay for the property transferred, an energy savings contract and other start-up costs needed to improve the facilities.

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

VI. LEASES (continued)

In November 2008, \$20,165,000 in lease certificates were issued: Series 2008A \$16,055,000 for purchase of the annexation property and Series 2008B \$4,110,000 for an energy savings contract related to the annexation sites. In June 2009, Series 2009C lease certificates in the amount of \$10,290,000 were issued to pay for start-up costs related to the annexation sites. Under the lease agreement, the District makes annual lease payments, which are used to pay the principal and interest payments of the lease certificates.

In November 2009, voters authorized \$85,000,000 in general obligation bonds with a portion of these dedicated to defeasing the 2008B and 2009C lease certificates. On February 3, 2010, general obligation bond series 2010A was issued. Use of the bond proceeds included defeasing and removing from the capital lease schedule the 2008B and 2009C lease certificates by payment in full for the 2009C series and setup of an irrevocable escrow to make all future lease payments for the 2008B series.

Independence Regional Ennovation Center Project Lease

The City of Independence created a Building Rehabilitation Fund funded with tax increment financing (TIF) revenues generated within the TIF Redevelopment Project Area of the TIF Redevelopment Plan for the Independence Regional Health Center and Medical Center of Independence campuses after they closed and reopened in a new location as Centerpoint Medical Center. In March 2009, the City Council adopted a resolution directing that \$10 million from the Building Rehabilitation Fund be allocated to redevelopment of the Independence Regional Health Center and selected Edwards Management Group LLC and the Independence School District as the developer. The Independence Regional Ennovation Center Project ("IREC Project") consists of the acquisition of the former Independence Regional Medical Center facility and the renovation, remodeling, repair and improvement and equipping and furnishing of the facility. The redeveloped facility will be partially occupied by the District and partially a business incubator for bioscience wet and dry labs, commercial kitchen facilities, and technology laboratories.

Initial available funds from the Building Rehabilitation Fund were not sufficient for the renovation phases. The District worked with the Missouri School Boards Association, Commerce Bank, N.A. and George K. Baum & Company to develop financing that includes Lease Participation Certificates. Under the lease agreement, the District will make semi-annual lease payments to Missouri School Boards Association's Trustee Commerce Bank. The lease payments match the principal and interest schedule for the Lease Participation Certificates. Funds available to make the lease payments are derived from various IREC project funds including future rental payments and Building Rehabilitation Funds.

In June 2009, the District issued \$4,310,000 in Lease Participation Certificates for the IREC Project in two parts: Series 2009A \$1,525,000 was Insured Taxable Build America Lease Participation Certificates for the District portion of the project and Series 2009B \$2,785,000 was Insured Taxable Lease Participation Certificates for the business incubator portion of the project. In June 2010, the District issued \$4,045,000 in Lease Participation Certificates for phase three of the IREC Project in two series:

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

VI. LEASES (continued)

Independence Regional Ennovation Center Project Lease (concluded)

Series 2010A, \$1,590,000 was Insured Taxable Build America Lease Participation Certificates for the District portion of the project and Series 2010B \$2,455,000 was Insured Tax-Exempt Recovery Zone Facility Lease Participation Certificates for the business incubator portion of the project. In February 2011, the Board of Education issued \$3,075,000 in Lease Participation Certificates for phase four of the IREC Project.

The Series 2009A and 2010A Certificates were issued for the District-occupied space under the provisions of the American Recovery and Reinvestment Act of 2009, authorizing the District to issue taxable obligations known as “Build America Bonds” to finance capital expenditures for which it could otherwise issue tax-exempt obligations and to elect to receive a subsidy payment from the United States Treasury equal to 35% of the amount of each interest payment on the Build America Bonds. Holders of neither Series are entitled to any federal income tax credits due to the irrevocable election to issue the Series Certificates as Build America Bonds.

The Series 2010B Certificates were issued as “Recovery Zone Facility Bonds” within the meaning as revised by the American Recovery and Reinvestment Act of 2009 (The Act). The Act provided for a new category of “exempt facility bonds” for the purpose of promoting development or other economic activity in a “recovery zone” and to provide for the issuance of tax-exempt obligations to finance the construction, reconstruction, renovation or acquisition of recovery zone property to be used in a qualified business in the recovery zone.

Capital lease balances and activity of the District for the year ended June 30, 2015, were as follows:

| Lease Certificates Of Participation | Balance July 1, 2014 | Additions | Reductions | Balance June 30, 2015 | Amounts Due Within One Year |
|--|-------------------------|-----------------|-----------------|--------------------------|-----------------------------------|
| Series 2008A | \$ 12,400,000.00 | \$ - | \$ 620,000.00 | \$ 11,780,000.00 | \$ 640,000.00 |
| Series 2009A | 1,525,000.00 | - | - | 1,525,000.00 | - |
| Series 2009B | 1,545,000.00 | - | 275,000.00 | 1,270,000.00 | 290,000.00 |
| Series 2010A | 1,390,000.00 | - | 50,000.00 | 1,340,000.00 | 60,000.00 |
| Series 2010B | 2,455,000.00 | - | 100,000.00 | 2,355,000.00 | 100,000.00 |
| Series 2011A | 2,795,000.00 | - | 105,000.00 | 2,690,000.00 | 110,000.00 |
| 5000173-001 | - | 1,100,000.00 | 160,890.28 | 939,109.72 | 149,659.05 |
| Total Lease Certificates of Participation | \$ 22,110,000.00 | \$ 1,100,000.00 | \$ 1,310,890.28 | \$ 21,899,109.72 | \$ 1,349,659.05 |

In November 2009, voters authorized \$85 million in bonds. In February 2010, \$25 million was issued with a portion to be used to refund the Series 2008B and Series 2009C lease certificates and other lease obligations. Crossover escrow accounts were established to pay future payments and the series were removed from the District’s capital lease schedules.

INDEPENDENCE 30 SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

VI. LEASES (concluded)

In April 2015, the District entered into a \$1,100,000 Capital Obligation Lease Certificate with Clayton Holdings, LLC for the purchase of a new HVAC system. The lease is due in fixed installments through July 31, 2021, with an interest rate of 3.00% year (1), 2.00% year (2) and 1.00% in each year thereafter.

Lease certificates of participation payable at June 30, 2015, consist of:

| | |
|--|--------------------------------|
| \$16,055,000 Series 2008A lease certificate of participation, dated September 1, 2008, due in varying installments through March 2029, interest at 3.00% to 4.63% | \$ 11,780,000.00 |
| \$1,525,000 Series 2009A lease certificate of participation, dated June 1, 2009, due in varying installments through March 2025, interest at 6.63% | 1,525,000.00 |
| \$2,785,000 Series 2009B lease certificate of participation, dated June 1, 2009, due in varying installments through March 2019, interest at 3.00% to 6.25% | 1,270,000.00 |
| \$1,590,000 Series 2010A lease certificate of participation, dated June 29, 2010, due in varying installments through March 2030, interest at 3.25% to 6% | 1,340,000.00 |
| \$2,455,000 Series 2010B lease certificate of participation, dated June 29, 2010, due in varying installments through March 2030, interest at 3% to 5% | 2,355,000.00 |
| \$3,075,000 Series 2011A lease certificate of participation, dated February 1, 2011, due in varying installments through March 2031, interest at 2% to 7.375% | 2,690,000.00 |
| \$1,100,000 Capital Obligation Lease Certificate, dated April 15, 2015, due in fixed installments through July 31, 2021, interest at 3.00% year (1), 2.00% year (2) and 1.00% in each year thereafter. | <u>939,109.72</u> |
| Total Lease Certificates of Participation | \$ <u>21,899,109.72</u> |

The following is a schedule of the future minimum lease payments for the lease certificates of participation:

| Year Ended June 30, | Principal | Interest | Total |
|---------------------|--------------------------------|-------------------------------|--------------------------------|
| 2016 | \$ 1,349,659.05 | \$ 995,712.28 | \$ 2,345,371.33 |
| 2017 | 1,397,337.94 | 943,880.89 | 2,341,218.83 |
| 2018 | 1,460,064.79 | 888,411.54 | 2,348,476.33 |
| 2019 | 1,527,840.45 | 828,137.74 | 2,355,978.19 |
| 2020 | 1,465,665.80 | 762,020.53 | 2,227,686.33 |
| 2021-2025 | 7,633,541.69 | 2,876,380.91 | 10,509,922.60 |
| 2026-2030 | 6,805,000.00 | 1,057,681.28 | 7,862,681.28 |
| 2031 | <u>260,000.00</u> | <u>19,175.00</u> | <u>279,175.00</u> |
| Totals | \$ <u>21,899,109.72</u> | \$ <u>8,371,400.17</u> | \$ <u>30,270,509.89</u> |

Payments are made from the Capital Projects Fund.

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

VII. PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

General Information about the Pension Plan - PSRS

Plan Description. PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. PSRS also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the State of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Section 169.070 (9) RSMo, known as the "2/3's statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount. A Comprehensive Annual Financial Report ("CAFR") can be obtained at www.psrs-peers.org.

Benefits Provided. PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount. A Summary Plan

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

VII. PENSION PLANS (continued)

Description detailing the provisions of the plan can be found on PSRS' website at www.psr-peers.org. Since the prior valuation date, the benefit provisions were amended to make permanent an early retirement benefit allowing members to retire at any age after 25 years of service.

Cost-of-Living Adjustments ("COLA"). The PSRS Board has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the Board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided. For any member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal year 2015. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contributions for employees of the State of Missouri were made by the State in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

The District's contributions to PSRS were \$10,026,312.08 for the year ended June 30, 2015.

General Information about the Pension Plan - PEERS

Plan Description. PEERS is a mandatory cost-sharing multiple employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who are not contributing members of the Public School Retirement System of Missouri (PSRS) must contribute to PEERS.

Employees of PSRS who do not hold Missouri educator certificates also contribute to PEERS. PEERS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1965. Statutes governing the System are found in Sections 169.600 - 169.715 and Sections 169.560-169.595 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of the Public School Retirement System of Missouri. A Comprehensive Annual Financial Report ("CAFR") can be obtained at www.psr-peers.org.

Benefits Provided. PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

VII. PENSION PLANS (continued)

of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psr-peers.org.

Cost-of-Living Adjustments (COLA). The PEERS Board has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the Board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided. For any member, such adjustments commence on the fourth January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

Contributions. PEERS members were required to contribute 6.86% of their annual covered salary during fiscal year 2015. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The District's contributions to PEERS were \$2,193,827.04 for the year ended June 30, 2015.

Pension Liabilities and Pension Expense - PSRS

At June 30, 2015, the District has a liability of \$62,182,735 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2014, and determined by an actuarial valuation as of that date. The District's proportionate share of the total net pension liability was based on the ratio of its actual contributions of \$9,760,793 paid to PSRS for the year ended June 30, 2014, relative to the actual contributions of \$643,964,894 from all participating employers. At June 30, 2014, the District's proportionate share was 1.5157%.

Pension Liabilities and Pension Expense - PEERS

At June 30, 2015, the District has a liability of \$7,736,406 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2014, and determined by an actuarial valuation as of that date. The District's proportionate share of the total net pension liability was based on the ratio of its actual contributions of \$2,119,338 paid to PEERS for the year ended June 30, 2014, relative to the actual contributions of \$100,035,580 from all participating employers. At June 30, 2014, the District's proportionate share was 2.1186%.

Actuarial Assumptions - PSRS

Actuarial valuations of PSRS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

VII. PENSION PLANS (continued)

as actual results are compared with past expectations and new estimates are made about the future. The last experience study was conducted in 2011 and the next experience study is scheduled for 2016.

Significant actuarial assumptions and other inputs used to measure the total pension liability:

| | |
|--|---|
| - Measurement Date | June 30, 2014 |
| - Valuation Date | June 30, 2014 |
| - Expected Return on Investments | 8.00%, net of investment expenses and including 2.5% inflation |
| - Inflation | 2.5% |
| - Total Payroll Growth | 3.50% per annum, consisting of 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth. |
| - Future Salary Increases | 4.00% - 10.00%, depending on service and including 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.00% to 7.00%. |
| - Cost-of-Living Increases | 2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase. |
| - Mortality Assumption | |
| Actives: | RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA. |
| Non-Disabled Retirees, Beneficiaries and Survivors: | RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA. |
| Disabled Retirees: | RP 2000 Disabled Mortality Table |

Changes in Actuarial Assumptions and Methods

There were no changes in actuarial assumptions or methods for the June 30, 2014, valuation.

Fiduciary Net Position PSRS issues a publicly available financial report that can be obtained at www.psr-peers.org.

Actuarial Assumptions - PEERS

Actuarial valuations of PEERS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and

INDEPENDENCE 30 SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

VII. PENSION PLANS (continued)

future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was conducted in 2011 and the next experience study is scheduled for 2016.

Significant actuarial assumptions and other inputs used to measure the total pension liability:

| | |
|--|---|
| - Measurement Date | June 30, 2014 |
| - Valuation Date | June 30, 2014 |
| - Expected Return on Investments | 8.00%, net of investment expenses and including 2.5% inflation |
| - Inflation | 2.5% |
| - Total Payroll Growth | 3.75% per annum, consisting of 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth. |
| - Future Salary Increases | 5.00% - 12.00%, depending on service and including 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%. |
| - Cost-of-Living Increases | 2.0% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase. |
| - Mortality Assumption | |
| Actives: | RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA. |
| Non-Disabled Retirees, Beneficiaries and Survivors: | RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA. |
| Disabled Retirees: | RP 2000 Disabled Mortality Table |

Changes in Actuarial Assumptions and Methods

There were no changes in actuarial assumptions or methods for the June 30, 2014, valuation.

Fiduciary Net Position PEERS issues a publicly available financial report that can be obtained at www.psrs-peers.org.

INDEPENDENCE 30 SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

VII. PENSION PLANS (continued)

Expected Rate of Return

The long-term expected rate of return on PSRS and PEERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of 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. Best estimates of arithmetic real rates of return for each major asset class included in PSRS and PEERS' target allocation as of June 30, 2014, is summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cash flows.

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-term Expected Real Return Arithmetic Basis</u> | <u>Weighted Long-term Expected Real Return Arithmetic Basis</u> |
|---------------------------------------|------------------------------------|--|---|
| U.S. Public Equity | 27.0% | 5.85% | 1.58% |
| Public Credit | 12.0% | 2.44% | 0.29% |
| Hedged Assets | 6.0% | 5.22% | 0.31% |
| Non-U.S. Public Equity | 15.0% | 6.64% | 1.00% |
| U.S. Treasuries | 16.0% | 1.01% | 0.16% |
| U.S. TIPS | 4.0% | 1.12% | 0.04% |
| Private Credit | 2.0% | 7.61% | 0.15% |
| Private Equity | 10.5% | 8.61% | 0.90% |
| Private Real Estate | 7.5% | 4.60% | 0.35% |
| Total | <u>100.0%</u> | | <u>4.78%</u> |
| Inflation | | | <u>2.50%</u> |
| Long term arithmetical nominal return | | | <u>7.28%</u> |
| Effect of coverage matrix | | | <u>0.81%</u> |
| Long term expected geometric return | | | <u>8.09%</u> |

- Discount Rate

The discount rate used to measure the total pension liability was 8.00% as of June, 30, 2014, and is consistent with the long-term expected geometric return on plan investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

VII. PENSION PLANS (continued)

- Discount Rate Sensitivity

The sensitivity of the District's net pension liability to changes in the discount rate is presented below. The District's net pension liability calculated using the discount rate of 8.0% is presented as well as the net pension liability using a discount rate that is 1.0% lower (7.0%) or 1.0% higher (9.0%) than the current rate.

| Discount Rate | <u>1% Decrease (7.00%)</u> | <u>Current Rate (8.00%)</u> | <u>1% Increase (9.00%)</u> |
|--|----------------------------|-----------------------------|----------------------------|
| PSRS Proportionate share of the Net Pension Liability / (Asset) | \$131,672,566 | \$62,182,735 | \$3,896,413 |
| PEERS Proportionate share of the Net Pension Liability / (Asset) | \$18,564,387 | \$7,736,406 | \$(1,410,987) |

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios - PSRS

| Year Ended | Proportion of the Net Pension Liability (Asset) | Proportionate Share Of the Net Pension Liability (Asset) | Actual Covered Member Payroll | Net Pension Liability (Asset) As a Percentage Of Covered Payroll | Fiduciary Net Position as A Percentage of Total Pension Liability |
|------------|---|--|-------------------------------|--|---|
| 6/30/15 | 1.5157% | \$62,182,735 | \$68,130,559 | 91.27% | 89.30% |

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios - PEERS

| Year Ended | Proportion of the Net Pension Liability (Asset) | Proportionate Share Of the Net Pension Liability (Asset) | Actual Covered Member Payroll | Net Pension Liability (Asset) As a Percentage Of Covered Payroll | Fiduciary Net Position as A Percentage of Total Pension Liability |
|------------|---|--|-------------------------------|--|---|
| 6/30/15 | 2.1186% | \$7,736,406 | \$30,894,113 | 25.00% | 91.30% |

Schedule of Employer Contributions - PSRS

| Year Ended | Statutorily Required Contribution | Actual Employer Contributions | Contribution Excess/ (Deficiency) | Actual Covered Member Payroll | Contributions as a Percentage of Covered Payroll |
|------------|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------|--|
| 6/30/13 | \$ 9,590,271 | \$ 9,590,271 | \$ - | \$66,978,145 | 14.32% |
| 6/30/14 | 9,760,793 | 9,760,793 | - | 68,130,559 | 14.33% |
| 6/30/15 | 10,174,428 | 10,174,428 | - | 68,417,440 | 14.87% |

INDEPENDENCE 30 SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

VII. PENSION PLANS (concluded)

Schedule of Employer Contributions - PEERS

| Year Ended | Statutorily Required Contribution | Actual Employer Contributions | Contribution Excess/ (Deficiency) | Actual Covered Member Payroll | Contributions as a Percentage of Covered Payroll |
|------------|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------|--|
| 6/30/13 | \$2,009,672 | \$2,009,672 | \$ - | \$29,296,592 | 6.86% |
| 6/30/14 | 2,119,338 | 2,119,338 | - | 30,894,113 | 6.86% |
| 6/30/15 | 2,208,291 | 2,208,921 | - | 32,200,046 | 6.86% |

VIII. INSURANCE

The District is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance to protect itself from such risks.

The District was not able to obtain workers' compensation insurance at a cost it considered to be economically justifiable and therefore formed INDEP Captive Cell Insurance Corporation. INDEP is a cell insurance company under Kane (USA). The District pays a premium to INDEP's third party claims processor PMA Group. Because the premium is paid quarterly, the District also purchases a temporary letter of credit to cover risk of assessment for short-term shortfalls prior to final premium payments. Part of the premium is used by INDEP to purchase excess insurance to reduce INDEP's risk. The District believes that it is not possible to estimate the range of contingent losses to be borne by the District.

IX. COMMITMENTS AND CONTINGENCIES

During the course of ordinary operations, the District is subjected to various lawsuits. The District's insurance carrier and attorneys are vigorously contesting all the claims. The District believes that all lawsuits outstanding at June 30, 2015, will have no material impact on the finances of the District.

As of June 30, 2015, the District had \$2,654,586 outstanding contract commitments for construction and repair projects. In addition, the District has unfunded retiree and sick leave benefits.

Compensated Absences

Vacation time, personal business days, and sick leave are considered as expenditures in the year paid. Total vested and unpaid sick leave at June 30, 2015, amounted to 48,934.15 days. This number is unaudited.

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

X. POST-EMPLOYMENT BENEFITS

COBRA Benefits – Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides healthcare benefits (health, dental and/or vision) to eligible former and retired employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid by the insured monthly for the current month's coverage plus a 2% administration fee. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the District under this program. At June 30, 2015, there were 46 participants in COBRA benefits. The amount of premiums paid during the fiscal year was \$64,436.81.

In addition to the pension benefits described in Note VII, the District makes available post-retirement benefits to employees who retire from the District in the form of payment for accumulated sick leave benefits at time of retirement, participation in the District healthcare plan, and an incentive for June 30, 2015, qualifying retirees.

Under Board Policy, retirees are paid \$50 per day for their accumulated sick leave benefits at time of their retirement not to exceed 65 days. The maximum number of reimbursable days was set by a change in Board Policy on June 30, 2004. Employees who were active at June 30, 2004, with more than 65 days of accumulated sick leave have been grandfathered to reimbursable days not to exceed their accumulated sick leave benefits as of June 30, 2004. As of June 30, 2015, active employees have 48,934.15 days of accumulated sick leave. Retiree sick leave is considered an expenditure in the year paid. During the year ended June 30, 2015, \$171,299.03 for 2,987.50 days was paid to retirees under this policy.

Under state law, retirees of the District can choose to participate in the District's health plan within one year of retirement. They must receive the same level of benefits, options, and rates as active employees. Retirees pay the full premium cost to participate in the District's health plan unless they qualified for a retiree supplemental rate benefit under Board Policy before June 30, 2003. If a retiree leaves the District's retiree plan, they cannot return to the plan.

Under prior Board Policy, those who retired prior to June 30, 2003, may have qualified for the District to pay a portion of the retiree's health plan premium for the rest of his or her life. Those that did not qualify for the District supplemental rate plan pay the full premium cost to participate in the District's health plan. Qualifications included: (1) served a minimum of 10 years in the District, (2) assumed retirement status with the Public School Retirement or Public Education Employee Retirement Systems of Missouri, (3) was a member of the District health insurance plan for at least one year prior to retirement and (4) accumulated 100 sick leave days at the time of retirement and chose the benefit option in lieu of cash payment for the days.

Rate caps apply to the District-paid portion dependent upon whether the retiree was 57 or younger or was 58 or older at time of retirement, current age over or under 65, and if seven years has passed since retirement. Caps include the District-paid portion of active employees at time of retirement until age 65, at age 65 converts to current plan Medicare carve-out rate until 7 years

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

X. POST-EMPLOYMENT BENEFITS (concluded)

following retirement date, and thereafter, the Medicare carve-out rate at time of retirement. Medicare carve-out rates are further limited to the District-paid plan for active employees during the applicable period. District retiree benefit contributions are considered an expenditure in the year paid. During the year ended June 30, 2015, \$155,234.44 was paid on behalf of 106 retirees under the above plan.

During the 2002-2003 school year, the District suffered financial hardship. One-time retirement incentives were offered to certificated teachers and administrators (certificated retirement incentive) and classified employees (classified retirement incentive). The certificated retirement was complete as of June 30, 2011. The classified retirement incentive included accumulated sick leave days at \$150 per day to be paid on a monthly basis at the rate of \$208.08 until the full amount has been paid. During the 2009-2010 school year, the District suffered financial hardship and offered another one-time retirement incentive to certificated teachers and administrators (certificated retirement incentive). The 2010 certificated retirement incentive included one-half of the retiree's final year base pay to be paid on a monthly basis over five years through June 30, 2015, plus accumulated sick leave days at \$100 per day.

All plans allow for a single beneficiary in case of the retiree's death prior to final payment. If both the retiree and the beneficiary die prior to the final payment, there is no further obligation by the District. The retirement incentives are considered an expenditure of the District in the year paid. During the year ended June 30, 2015, \$397,705.73 was paid to 55 retirees under the 2011 certificated retirement incentive. It was the last year and the incentive is complete. During the year ended June 30, 2015, \$2,930.40 was paid to 2 retirees under a 2003 classified retirement incentive. Remaining amount to be paid under the classified retirement incentive is \$1,686.48 through 2016-2017.

XI. SUBSEQUENT EVENTS

After June 30, 2015, the District purchased the prior YMCA building and committed to purchase another property.

SUPPLEMENTARY INFORMATION

INDEPENDENCE 30 SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCES OVER (UNDER) |
|---|-------------------------|-------------------------|-------------------------|---------------------------|
| | ORIGINAL | FINAL | | FINAL TO ACTUAL |
| | | | | |
| REVENUES | | | | |
| Local Sources | \$ 47,875,156.63 | \$ 48,468,871.63 | \$ 48,942,554.19 | \$ 473,682.56 |
| County Sources | 1,985,000.00 | 1,985,000.00 | 2,196,789.27 | 211,789.27 |
| State Sources | 5,727,000.00 | 5,925,382.87 | 6,548,557.95 | 623,175.08 |
| Federal Sources | 15,128,876.00 | 16,210,979.59 | 13,026,610.26 | (3,184,369.33) |
| Other | 150,000.00 | 150,000.00 | 76,660.07 | (73,339.93) |
| TOTAL REVENUES | 70,866,032.63 | 72,740,234.09 | 70,791,171.74 | (1,949,062.35) |
| EXPENDITURES | | | | |
| Instruction | 10,636,460.45 | 12,718,279.64 | 12,013,052.44 | (705,227.20) |
| Student Services | 5,465,439.18 | 5,460,283.20 | 5,296,011.81 | (164,271.39) |
| Instructional Staff Support | 5,687,974.93 | 6,579,158.35 | 5,794,509.25 | (784,649.10) |
| Building Administration | 2,937,071.96 | 2,914,701.46 | 2,838,751.70 | (75,949.76) |
| General Admin. & Central Services | 3,899,611.88 | 4,314,611.88 | 3,973,739.96 | (340,871.92) |
| Operation of Plant | 16,937,694.56 | 17,257,846.54 | 15,811,458.93 | (1,446,387.61) |
| Transportation | 8,782,676.14 | 9,161,769.14 | 8,345,812.07 | (815,957.07) |
| Food Service | 9,171,352.80 | 9,292,201.80 | 8,899,032.91 | (393,168.89) |
| Community Services | 11,778,291.84 | 12,498,899.57 | 10,676,708.04 | (1,822,191.53) |
| Capital Outlay | - | - | - | - |
| Debt Service: | | | | |
| Interest and Charges | - | - | - | - |
| TOTAL EXPENDITURES | 75,296,573.74 | 80,197,751.58 | 73,649,077.11 | (6,548,674.47) |
| REVENUES OVER (UNDER) EXPENDITURES | (4,430,541.11) | (7,457,517.49) | (2,857,905.37) | 4,599,612.12 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers | (150,000.00) | (430,507.26) | (430,507.26) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (150,000.00) | (430,507.26) | (430,507.26) | - |
| NET CHANGE IN FUND BALANCE | (4,580,541.11) | (7,888,024.75) | (3,288,412.63) | \$ 4,599,612.12 |
| FUND BALANCE JULY 1, 2014 | 35,303,130.74 | 35,303,130.74 | 35,303,130.74 | |
| FUND BALANCE JUNE 30, 2015 | \$ 30,722,589.63 | \$ 27,415,105.99 | \$ 32,014,718.11 | |

**INDEPENDENCE 30 SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCES OVER (UNDER) |
|---|-------------------------|--------------------------|----------------------|-----------------------------------|
| | ORIGINAL | FINAL | | FINAL TO ACTUAL |
| | | | | |
| REVENUES | | | | |
| Local Sources | \$ 13,941,400.00 | \$ 13,963,900.00 | \$ 14,362,739.34 | \$ 398,839.34 |
| County Sources | 85,000.00 | 85,000.00 | 144,611.09 | 59,611.09 |
| State Sources | 65,624,472.00 | 63,924,472.00 | 64,055,700.57 | 131,228.57 |
| Federal Sources | 5,256,604.00 | 5,926,470.05 | 5,300,002.67 | (626,467.38) |
| Other | 100,000.00 | 100,000.00 | 184,673.23 | 84,673.23 |
| TOTAL REVENUES | 85,007,476.00 | 83,999,842.05 | 84,047,726.90 | 47,884.85 |
| EXPENDITURES | | | | |
| Instruction | 67,253,660.46 | 67,762,859.08 | 66,009,699.36 | (1,753,159.72) |
| Student Services | 2,958,314.01 | 2,958,314.01 | 2,702,764.56 | (255,549.45) |
| Instructional Staff Support | 6,469,315.91 | 6,783,241.72 | 6,732,912.38 | (50,329.34) |
| Building Administration | 6,185,743.61 | 6,146,823.91 | 6,291,540.99 | 144,717.08 |
| General Admin. & Central Services | 700,470.74 | 700,470.74 | 690,034.40 | (10,436.34) |
| Operation of Plant | - | - | - | - |
| Transportation | - | - | - | - |
| Food Service | - | - | - | - |
| Community Services | 1,439,870.64 | 1,502,556.56 | 1,476,531.83 | (26,024.73) |
| Capital Outlay | - | - | - | - |
| Debt Service: | | | | |
| Interest and Charges | - | - | - | - |
| TOTAL EXPENDITURES | 85,007,375.37 | 85,854,266.02 | 83,903,483.52 | (1,950,782.50) |
| REVENUES OVER (UNDER) EXPENDITURES | 100.63 | (1,854,423.97) | 144,243.38 | 1,998,667.35 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| NET CHANGE IN FUND BALANCE | 100.63 | (1,854,423.97) | 144,243.38 | \$ 1,998,667.35 |
| FUND BALANCE JULY 1, 2014 | 292,504.14 | 292,504.14 | 292,504.14 | |
| FUND BALANCE JUNE 30, 2015 | \$ 292,604.77 | \$ (1,561,919.83) | \$ 436,747.52 | |

**INDEPENDENCE 30 SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCES OVER (UNDER)</u> |
|---|-------------------------|------------------------|------------------------|-----------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | <u>FINAL TO ACTUAL</u> |
| | | | | |
| REVENUES | | | | |
| Local Sources | \$ 11,727,990.00 | \$ 11,727,990.00 | \$ 11,928,292.50 | \$ 200,302.50 |
| County Sources | 600,000.00 | 600,000.00 | 606,366.30 | 6,366.30 |
| State Sources | - | - | - | - |
| Federal Sources | 316,987.50 | 316,987.50 | - | (316,987.50) |
| Other | - | - | - | - |
| TOTAL REVENUES | 12,644,977.50 | 12,644,977.50 | 12,534,658.80 | (110,318.70) |
| EXPENDITURES | | | | |
| Instruction | - | - | - | - |
| Student Services | - | - | - | - |
| Instructional Staff Support | - | - | - | - |
| Building Administration | - | - | - | - |
| General Admin. & Central Services | - | - | - | - |
| Operation of Plant | - | - | - | - |
| Transportation | - | - | - | - |
| Food Service | - | - | - | - |
| Community Services | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Debt Service: | | | | |
| Interest and Charges | 11,850,837.10 | 11,498,487.10 | 11,056,407.15 | (442,079.95) |
| TOTAL EXPENDITURES | 11,850,837.10 | 11,498,487.10 | 11,056,407.15 | (442,079.95) |
| REVENUES OVER (UNDER) EXPENDITURES | 794,140.40 | 1,146,490.40 | 1,478,251.65 | 331,761.25 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale Of Bonds | - | - | - | - |
| Transfers | (1,150,000.00) | (1,150,000.00) | (1,150,066.26) | (66.26) |
| TOTAL OTHER FINANCING SOURCES (USES) | (1,150,000.00) | (1,150,000.00) | (1,150,066.26) | (66.26) |
| NET CHANGE IN FUND BALANCE | (355,859.60) | (3,509.60) | 328,185.39 | \$ 331,694.99 |
| FUND BALANCE JULY 1, 2014 | 6,778,424.50 | 6,778,424.50 | 6,778,424.50 | |
| FUND BALANCE JUNE 30, 2015 | \$ 6,422,564.90 | \$ 6,774,914.90 | \$ 7,106,609.89 | |

**INDEPENDENCE 30 SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2015**

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCES</u> |
|---|-------------------------|-----------------------|------------------------|----------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | <u>OVER (UNDER)</u> |
| | | | | <u>FINAL</u> |
| REVENUES | | | | |
| Local Sources | \$ 2,863,000.00 | \$ 1,923,000.00 | \$ 1,937,355.20 | \$ 14,355.20 |
| County Sources | - | - | - | - |
| State Sources | 3,500,000.00 | 5,289,302.00 | 4,798,953.40 | (490,348.60) |
| Federal Sources | 106,307.80 | 157,120.80 | 134,740.58 | (22,380.22) |
| Other | - | - | 46,226.71 | 46,226.71 |
| TOTAL REVENUES | 6,469,307.80 | 7,369,422.80 | 6,917,275.89 | (452,146.91) |
| EXPENDITURES | | | | |
| Instruction | 337,127.98 | 521,550.56 | 297,892.05 | (223,658.51) |
| Student Services | 2,500.00 | 2,500.00 | 2,182.55 | (317.45) |
| Instructional Staff Support | 1,118,500.00 | 982,100.00 | 994,709.23 | 12,609.23 |
| Building Administration | - | - | - | - |
| General Admin. & Central Services | 35,308.00 | 35,308.00 | 16,904.00 | (18,404.00) |
| Operation of Plant | 4,367,497.61 | 4,365,997.61 | 2,950,148.70 | (1,415,848.91) |
| Transportation | 786,465.00 | 1,555,125.00 | 1,554,952.00 | (173.00) |
| Food Service | - | - | 205,533.06 | 205,533.06 |
| Central Office Support Services | - | - | - | - |
| Other Supporting Services | - | - | - | - |
| Community Services | 7,500.00 | 74,989.00 | 79,732.33 | 4,743.33 |
| Capital Outlay | 3,420,000.00 | 3,950,813.14 | 4,856,904.36 | 906,091.22 |
| Debt Service: | | | | |
| Interest and Charges | 610,328.76 | 1,089,836.28 | 1,039,523.46 | (50,312.82) |
| TOTAL EXPENDITURES | 10,685,227.35 | 12,578,219.59 | 11,998,481.74 | (579,737.85) |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | (4,215,919.55) | (5,208,796.79) | (5,081,205.85) | 127,590.94 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers | 1,300,000.00 | 1,580,507.26 | 1,580,573.52 | 66.26 |
| Sale of Tax Credits | - | - | - | - |
| Sale Of Bonds | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,300,000.00 | 1,580,507.26 | 1,580,573.52 | 66.26 |
| NET CHANGE IN FUND BALANCE | (2,915,919.55) | (3,628,289.53) | (3,500,632.33) | \$ 127,657.20 |
| FUND BALANCE JULY 1, 2014 | 4,549,614.28 | 4,549,614.28 | 4,549,614.28 | |
| FUND BALANCE JUNE 30, 2015 | \$ 1,633,694.73 | \$ 921,324.75 | \$ 1,048,981.95 | |

**INDEPENDENCE 30 SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCES OVER (UNDER)</u> |
|---|-------------------------|-------------------------|-------------------------|-----------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | <u>FINAL TO ACTUAL</u> |
| | REVENUES | | | |
| Local Sources | \$ 76,407,546.63 | \$ 76,083,761.63 | \$ 77,170,941.23 | \$ 1,087,179.60 |
| County Sources | 2,670,000.00 | 2,670,000.00 | 2,947,766.66 | 277,766.66 |
| State Sources | 74,851,472.00 | 75,139,156.87 | 75,403,211.92 | 264,055.05 |
| Federal Sources | 20,808,775.30 | 22,611,557.94 | 18,461,353.51 | (4,150,204.43) |
| Other | 250,000.00 | 250,000.00 | 307,560.01 | 57,560.01 |
| TOTAL REVENUES | 174,987,793.93 | 176,754,476.44 | 174,290,833.33 | (2,463,643.11) |
| EXPENDITURES | | | | |
| Instruction | 78,227,248.89 | 81,002,689.28 | 78,320,643.85 | (2,682,045.43) |
| Student Services | 8,426,253.19 | 8,421,097.21 | 8,000,958.92 | (420,138.29) |
| Instructional Staff Support | 13,275,790.84 | 14,344,500.07 | 13,522,130.86 | (822,369.21) |
| Building Administration | 9,122,815.57 | 9,061,525.37 | 9,130,292.69 | 68,767.32 |
| General Admin. & Central Services | 4,635,390.62 | 5,050,390.62 | 4,680,678.36 | (369,712.26) |
| Operation of Plant | 21,305,192.17 | 21,623,844.15 | 18,761,607.63 | (2,862,236.52) |
| Transportation | 9,569,141.14 | 10,716,894.14 | 9,900,764.07 | (816,130.07) |
| Food Service | 9,171,352.80 | 9,292,201.80 | 9,104,565.97 | (187,635.83) |
| Community Services | 13,225,662.48 | 14,076,445.13 | 12,232,972.20 | (1,843,472.93) |
| Capital Outlay | 3,420,000.00 | 3,950,813.14 | 4,856,904.36 | 906,091.22 |
| Debt Service: | | | | |
| Interest and Charges | 12,461,165.86 | 12,588,323.38 | 12,095,930.61 | (492,392.77) |
| TOTAL EXPENDITURES | 182,840,013.56 | 190,128,724.29 | 180,607,449.52 | (9,521,274.77) |
| REVENUES OVER (UNDER) EXPENDITURES | (7,852,219.63) | (13,374,247.85) | (6,316,616.19) | 7,057,631.66 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers | - | - | - | - |
| Sale of Tax Credits | - | - | - | - |
| Sale Of Bonds | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| NET CHANGE IN FUND BALANCES | (7,852,219.63) | (13,374,247.85) | (6,316,616.19) | \$ 7,057,631.66 |
| FUND BALANCES JULY 1, 2014 | 46,923,673.66 | 46,923,673.66 | 46,923,673.66 | |
| FUND BALANCES JUNE 30, 2015 | \$ 39,071,454.03 | \$ 33,549,425.81 | \$ 40,607,057.47 | |

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2015

BUDGETS AND BUDGETARY ACCOUNTING

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- In accordance with Chapter 67, RSMo, the District adopts a budget for each fund.
- Prior to July, the Superintendent, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning July 1. The proposed budget includes estimated revenues and proposed expenses for all District funds. Budgeted expenses cannot exceed beginning available monies plus estimated revenues for the year.
- A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Education, the budget document is available for public inspection.
- The budget was legally enacted by a vote of the Board of Education on June 26, 2014.
- Subsequent to its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- Budgets for District funds are prepared and adopted on the cash basis (budget basis), recognizing revenue when collected and expenses when paid.

INDEPENDENCE 30 SCHOOL DISTRICT
OTHER POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2015

OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note VII, the District allows employees who retire from the District to participate in the District's medical insurance plan. Upon meeting the retirement requirements of PSRS and PEERS, the employees can elect to participate in the District's plan. Refer to Note X for additional details.

STATE COMPLIANCE SECTION



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON MANAGEMENT'S ASSERTIONS ABOUT COMPLIANCE WITH SPECIFIED REQUIREMENTS OF MISSOURI STATE LAWS AND REGULATIONS

To the Members of the Board of Education
Independence 30 School District

Report on Compliance with State Requirements

We have examined management's assertions that the Independence 30 School District ("District") complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure by the District's records of average daily attendance and average daily transportation of pupils, and other statutory requirements as listed in the Schedule of Selected Statistics for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for the District's compliance with the aforementioned requirements.

Auditor's Responsibility

Our responsibility is to express an opinion on management's assertions about the District's compliance based on our examination. Our examination was made in accordance with the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our opinion does not provide a legal determination on the District's compliance with specified requirements.

Opinion on Compliance with State Requirements

In our opinion, management's assertions that the Independence 30 School District complied with the aforementioned requirements for the year ended June 30, 2015, are fairly stated, in all material respects. However, we noted one immaterial instance of noncompliance regarding the special revenue fund being deficit budgeted.

This report is intended solely for the information and use of the Board of Education, District management, the Missouri Department of Elementary and Secondary Education and other audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

December 11, 2015

INDEPENDENCE 30 SCHOOL DISTRICT
 SCHEDULE OF SELECTED STATISTICS
 COUNTY DISTRICT NUMBER 048-077
 FOR THE YEAR ENDED JUNE 30, 2015

Type of audit performed: Yellow Book: _____ Single Audit: X

I. CALENDAR (Sections 160.041 and 171.031, RSMo)

A. The number of actual calendar hours classes were in session and pupils were under the direction of teachers during this school year was as follows:

| | | | | | | |
|-------------------------|-----------------|-------|--------|------|-----------------|-------|
| Kindergarten – Full Day | <u>1,131.15</u> | Hours | Grades | 1-5 | <u>1,131.15</u> | Hours |
| | | Hours | Grades | 6-8 | <u>1,131.15</u> | Hours |
| | | | Grades | 9-12 | <u>1,131.15</u> | Hours |

B. The number of days classes were in session and pupils were under the direction of teachers during this school year was as follows:

| | | | | | | |
|-------------------------|------------|------|--------|------|------------|------|
| Kindergarten – Full Day | <u>173</u> | Days | Grades | 1-5 | <u>173</u> | Days |
| | | Days | Grades | 6-8 | <u>173</u> | Days |
| | | | Grades | 9-12 | <u>173</u> | Days |

II. AVERAGE DAILY ATTENDANCE (ADA)

| REGULAR TERM | FULL-TIME & PART-TIME | REMEDIAL | TOTAL |
|---|--------------------------|----------------|-------------------|
| Kindergarten – Full Day | 1,139.3828 | 2.3387 | 1,141.7215 |
| Grades 1 – 5 | 5,530.0862 | 11.6509 | 5,541.7371 |
| Grades 6 – 8 | 3,002.9733 | 7.3660 | 3,010.3393 |
| Grades 9 - 12 | <u>3,527.1913</u> | <u>15.2456</u> | <u>3,542.4369</u> |
| SUBTOTAL REGULAR TERM | <u>13,199.6336</u> | <u>36.6012</u> | 13,236.2348 |
| SUMMER SCHOOL SUBTOTAL | | | <u>657.7550</u> |
| TOTAL REGULAR TERM PLUS SUMMER SCHOOL ADA | | | 13,893.9898 |

III. SEPTEMBER MEMBERSHIP

| | |
|--------------------------------|-----------|
| | TOTAL |
| SEPTEMBER MEMBERSHIP FTE COUNT | 14,263.68 |

INDEPENDENCE 30 SCHOOL DISTRICT
 SCHEDULE OF SELECTED STATISTICS
 COUNTY DISTRICT NUMBER 048-077
 FOR THE YEAR ENDED JUNE 30, 2015

IV. FREE AND REDUCED PRICED LUNCH FTE COUNT (SECTION 163.011(6), RSMO)

| | <u>TOTAL</u> |
|-----------------|-----------------|
| STATE FTE TOTAL | |
| FREE | 8,550.40 |
| REDUCED | <u>1,399.86</u> |
| TOTAL | <u>9,950.26</u> |

V. FINANCE

| | | |
|----|---|----------------------|
| A. | As required by Section 162.401, RSMo, a bond was purchased for the District's treasurer in the total amount of..... | <u>\$ 25,000.00</u> |
| B. | The District's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo..... | <u>True</u> |
| C. | The District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo..... | <u>True</u> |
| D. | Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records..... | <u>True</u> |
| E. | If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the Board approved a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken..... | <u>N/A</u> |
| F. | The District published a summary of the prior year's audit report within 30 days of receiving the audit pursuant to Section 165.121, RSMo..... | <u>True</u> |
| G. | The District has a professional development committee plan adopted by the board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment.. | <u>True</u> |
| H. | The amount spent for approved professional development committee plan activities was:..... | <u>\$ 613,446.05</u> |

INDEPENDENCE 30 SCHOOL DISTRICT
 SCHEDULE OF SELECTED STATISTICS
 COUNTY DISTRICT NUMBER 048-077
 FOR THE YEAR ENDED JUNE 30, 2015

| | | |
|-----|---|------------------|
| VI. | TRANSPORTATION (SECTION 163.161, RSMo) | |
| A. | The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid..... | <u>True</u> |
| B. | The District's school transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported..... | <u>True</u> |
| C. | Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was: | |
| | Eligible ADT..... | <u>8,097.50</u> |
| | Ineligible ADT..... | <u>1,717.50</u> |
| D. | The District's transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible mileage for the year..... | <u>True</u> |
| E. | Actual odometer records show the total District-operated and contracted mileage for the year was: | <u>1,820,922</u> |
| | Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was: | |
| | Eligible Miles..... | <u>1,437,906</u> |
| | Ineligible Miles (Non-Route/Disapproved)..... | <u>383,016</u> |
| F. | Number of days the District operated the school transportation system during the regular school year: | <u>173</u> |

INDEPENDENCE 30 SCHOOL DISTRICT
SCHEDULE OF STATE FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

I. CHAPTER 67 RSMO (BUDGET STATUTE)

Chapter 67 RSMO requires that each political subdivision of the State of Missouri adopt an annual budget, itemized by fund. It further requires that in no event shall the total proposed expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year.

The Special Revenue Fund was deficit budgeted.

II. STATE FINDINGS

- 2015-001 The District shall not obtain investments with maturities greater than 5 years. The District invested in two Tennessee Valley Authority bonds with maturity dates greater than 5 years due to a donor requirement. Investing in the TVA bonds was the donor's requirement. If changed, the donor's future scholarship contributions will be lost.

FEDERAL COMPLIANCE SECTION



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Education
Independence 30 School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 blended component unit, each major fund and the remaining fund information of Independence 30 School District ("District"), Missouri, 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 December 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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 that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. (FS2015-002)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item FS2015-001.

District's Response to Findings

District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 control and compliance and the results 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.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

December 11, 2015



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Education
Independence 30 School District

Report on Compliance for Each Major Federal Program

We have audited Independence 30 School District's ("District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section 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 grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 auditing standards generally accepted in the United States of America; 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 noncompliance 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that 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 of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance 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

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in 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 that 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control 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.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

December 11, 2015

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

DRAFT

| PROGRAM TITLE | CFDA NUMBER | IDENTIFYING NUMBER | FEDERAL EXPENDITURES |
|--|----------------|-----------------------|-------------------------|
| U.S. Department of Education: | | | |
| <i>Passed through Missouri Department of Elementary and Secondary Education:</i> | | | |
| Special Education Cluster | | | |
| IDEA, Part B | 84.027 | 048-077 | \$ 2,864,501.92 |
| IDEA - Early Childhood | 84.027 | 048-077 | 253,266.85 |
| IDEA - SWIS Software | 84.027 | 048-077 | 275.00 |
| IDEA - Collaborative Work Initiative | 84.027 | 048-077 | 43,068.49 |
| IDEA - Early Childhood | 84.173 | 048-077 | 114,526.67 |
| Total Special Education Cluster | | | 3,275,638.93 |
| Title I Cluster | | | |
| Title I | 84.010 | 048-077 | 3,682,744.79 |
| Title I(a) - School Improvement | 84.010 | 048-077 | 237,185.89 |
| Total Title I Cluster | | | 3,919,930.68 |
| IDEA - Transition Self-Study Fall 2013 | 84.323 | 68114 | 1,000.00 |
| IDEA - State Professional Development | 84.323 | 68114 | 596.81 |
| Total CFDA# 84.323 | | | 1,596.81 |
| Career and Technical Education | 84.048 | 048-077 | 231,558.82 |
| Education of Homeless Children and Youth | 84.196 | 048-077 | 149,900.00 |
| 21st CCLC - Cohort 6 | 84.287 | 048-077 | 345,647.00 |
| Title IIA | 84.367 | 048-077 | 592,463.84 |
| Title III - LEP | 84.365 | 048-077 | 152,565.87 |
| Title III, Immigrant | 84.365 | 048-077 | 67,758.25 |
| Total Title III Cluster | | | 220,324.12 |
| Adult Basic Education - Basic Grant ISD 30 | 84.002 | 048-077 | 95,729.23 |
| Adult Education & Literacy - English Literacy Civics | 84.002 | 048-077 | 45,749.46 |
| Adult Education & Literacy - Don Bosco | 84.002 | 048-077 | 253,746.27 |
| Total Adult Education Cluster | | | 395,224.96 |
| Total U.S. Department of Education | | | 9,132,285.16 |
| U.S. Department of Agriculture: | | | |
| Child Nutrition Cluster | | | |
| <i>Passed through Missouri Department of Elementary and Secondary Education:</i> | | | |
| National School Lunch Program | 10.555 | 048-077 | 4,618,165.89 |
| School Breakfast Program | 10.553 | 048-077 | 1,796,245.32 |
| School Snack Program | 10.555 | 048-077 | 170,324.14 |
| Commodities - Non-Cash Assistance | 10.555 | 048-077 | 691,409.49 |
| Total Missouri Department of Elementary and Secondary Education | | | 7,276,144.84 |

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

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

DRAFT

| PROGRAM TITLE | CFDA NUMBER | IDENTIFYING NUMBER | FEDERAL EXPENDITURES |
|--|----------------|-------------------------|-------------------------|
| <i>Passed through Missouri Department of Health & Senior Services</i> | | | |
| SFSP - Summer Feeding Program | 10.559 | ERS46-xx2060 | 439,240.59 |
| Total Missouri Department of Health and Human Services | | | 439,240.59 |
| Total Child Nutrition Cluster | | | 7,715,385.43 |
| <i>Passed through Missouri Department of Elementary and Secondary Education:</i> | | | |
| Fresh Fruits and Vegetables Program | 10.582 | 048-077 | 230,071.37 |
| <i>Passed through Missouri Department of Health & Senior Services</i> | | | |
| CACFP - Head Start Feeding Program | 10.558 | ERS46-xx2086 | 95,950.35 |
| Rainbow Freshlife Days | 10.558 | CNTN-14-MO | 4,200.00 |
| Total U.S. Department of Agriculture | | | 8,045,607.15 |
| U.S. Department of Health and Human Services | | | |
| <i>Passed through Mid-America Regional Council:</i> | | | |
| Head Start Cluster | | | |
| Early Head Start (Ended 10/31/2014) | 93.600 | 07CH7056 | 106,436.95 |
| Early Head Start | 93.600 | 07CH7056 | 313,064.28 |
| Head Start (Ended 10/31/2014) | 93.600 | 07CH7056 | 1,159,975.87 |
| Head Start | 93.600 | 07CH7056 | 2,555,451.32 |
| Total Head Start Cluster | | | 4,134,928.42 |
| Total U.S. Department of Health and Human Services | | | 4,134,928.42 |
| U.S. Department of Defense: | | | |
| <i>Direct Program</i> | | | |
| Junior ROTC - Minimum Instructor Pay | 12.000 | M025-1183 | 71,950.25 |
| Total U.S. Department of Defense | | | 71,950.25 |
| National Endowment for the Humanities | | | |
| <i>Passed through the Institute of Museum and Library Services and Missouri Secretary of State</i> | | | |
| Library Services - Grants to States | 45.310 | 2014-LCP3-COLS3CN3-7368 | 4,855.61 |
| Total National Endowment for the Humanities | | | 4,855.61 |
| U.S. Environmental Protection Agency | | | |
| <i>Passed through Missouri Department of Natural Resources</i> | | | |
| National Clean Diesel Emissions Reduction Program | 66.039 | CU-1001-11 | 12,472.21 |
| Total U.S. Environmental Protection Agency | | | 12,472.21 |
| Total Schedule of Expenditures of Federal Awards | | | \$ 21,402,098.80 |

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

INDEPENDENCE 30 SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available. This Schedule includes all federal awards administered by the District.

NOTE 2 - BASIS OF ACCOUNTING

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the Schedule includes expenditures of both cash and noncash awards.

NOTE 3 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting.

NOTE 4 - RELATIONSHIP TO ACCOMPANYING FINANCIAL STATEMENTS

Federal awards are reported in the District's accompanying financial statements as follows:

| | |
|------------------------|-------------------------|
| <u>Federal Sources</u> | |
| General Fund | \$ 13,026,610.26 |
| Special Revenue Fund | 5,300,002.67 |
| Debt Service Fund | - |
| Capital Projects Fund | 134,740.58 |
| | <u>\$ 18,461,353.51</u> |

NOTE 5 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting.

INDEPENDENCE 30 SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 6 -MATCHING REVENUES

For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

NOTE 7 - NON-CASH PROGRAMS

The commodities received, which are non-cash revenues, are valued using prices provided by the United States Department of Agriculture.

NOTE 8 - SUBRECIPIENTS

The District provided no federal funds to subrecipients during the year ended June 30, 2015.

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

I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: Unmodified - modified cash basis
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes No
 - b. Significant deficiency(ies) identified? Yes None Reported
3. Noncompliance material to financial statements noted? Yes No

B. Federal Awards

1. Internal control over major federal programs:
 - a. Material weakness(es) identified? Yes No
 - b. Significant deficiency(ies) identified? Yes None Reported
2. Type of auditor's report issued on compliance for major federal programs:
Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? Yes No

4. Identification of major federal programs:

| <u>CFDA Number(s):</u> | <u>Name of Federal Program or Cluster</u> |
|------------------------|---|
| 10.555, 10.553, 10.559 | Child Nutrition Cluster |
| 84.027, 84.173 | Special Education Cluster |
| 84.048 | Career and Technical Education |
| 84.002 | Adult Education & Literacy |
| 10.582 | Fresh Fruits and Vegetables |

5. Dollar threshold used to distinguish between type A and type B programs:
\$ 642,063
6. Auditee qualified as low-risk auditee? Yes No

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

II. FINANCIAL STATEMENT FINDINGS

- FS 2015-001 Criteria: The District shall not obtain investments with maturities greater than 5 years.
- Condition: The District is not in compliance with state investment statutes.
- Context: During the course of our audit, we noted that the District obtained investments with maturities greater than the 5 year maximum established by state statutes.
- Effect: Due to a donor's investment requirement, the District is not in compliance with state statute investment policies.
- Cause: The District invested in two Tennessee Valley Authority bonds with maturity dates greater than 5 years due to a donor requirement.
- Recommendation: We recommend the District discuss the state statute requirements with the donor as a means to possibly invest in other government securities to be in state compliance.
- Views of responsible officials and planned corrective actions: Investing in the TVA bonds was the donor's requirement. If changed, the donor's future scholarship contributions will be lost.
- FS 2015-002 Criteria: Financial statement accounts and transportation should be reconciled in a timely manner.
- Condition: Bank and transportation reconciliations were not prepared in a timely manner for the year ended June 30, 2015.
- Context: During the course of our audit, we noted that the District did not perform bank and transportation reconciliations within a reasonable amount of time for the year ended June 30, 2015.
- Effect: Due to the unreasonable amount of time required to complete the bank and transportation reconciliations, financial statements cannot be provided to management for timely decision making.
- Cause: The District did not complete the June bank reconciliation and transportation reconciliation required for audit purposes in a timely manner.
- Recommendation: We recommend the District implement appropriate procedures to prepare timely bank and transportation reconciliations.
- Views of responsible officials and planned corrective actions: Reconciliations were in a semi-finished state but not fully completed in a timely manner due to staff changes and complexity of transactions. The District will monitor and improve controls to create timely completed bank and transportation reconciliations.

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

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings and questioned costs relating to federal awards for the year ended June 30, 2015.

INDEPENDENCE 30 SCHOOL DISTRICT
SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

I. FINANCIAL STATEMENT FINDINGS – PRIOR YEAR

- FS 2014-001 Criteria: The District shall not obtain investments with maturities greater than 5 years.
- Condition: The District is not in compliance with state investment statutes.
- Context: During the course of our audit, we noted that the District obtained investments with maturities greater than the 5 year maximum established by state statutes.
- Effect: Due to a donor’s investment requirement, the District is not in compliance with state statute investment policies.
- Cause: The District invested in two Tennessee Valley Authority bonds with maturity dates greater than 5 years due to a donor requirement.
- Recommendation: We recommend the District discuss the state statute requirements with the donor as a means to possibly invest in other government securities to be in state compliance.
- Views of responsible officials and planned corrective actions: Investing in the TVA bonds was the donor’s requirement. If changed, the donor’s future scholarship contributions will be lost.
- Status: No corrective action plan has been implemented; therefore, this finding is repeated in the current year findings as FS 2015-001.
- FS 2014-002 Criteria: Financial statement accounts and transportation should be reconciled in a timely manner.
- Condition: Bank and transportation reconciliations were not prepared in a timely manner for the year ended June 30, 2014.
- Context: During the course of our audit, we noted that the District did not perform bank and transportation reconciliations within a reasonable amount of time for the year ended June 30, 2014.
- Effect: Due to the unreasonable amount of time required to complete the bank and transportation reconciliations, financial statements cannot be provided to management for timely decision making.
- Cause: The District did not complete the June bank reconciliation and transportation reconciliation required for audit purposes in a timely manner.
- Recommendation: We recommend the District implement appropriate procedures to prepare timely bank and transportation reconciliations.

INDEPENDENCE 30 SCHOOL DISTRICT
SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

I. FINANCIAL STATEMENT FINDINGS – PRIOR YEAR (Concluded)

FS 2014-002 Views of responsible officials and planned corrective actions: Reconciliations were in a semi-finished state but not fully completed in a timely manner due to staff changes and complexity of transactions. The District will monitor and improve controls to create timely completed bank and transportation reconciliations.

Status: No corrective action plan has been implemented; therefore, this finding is repeated in the current year findings as FS 2015-002.

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – PRIOR YEAR

There are no findings and questioned costs relating to federal awards for the year ended June 30, 2014.