



Rea & associates a *brighter* way

Independence Local School District Cuyahoga County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2015



Dave Yost • Auditor of State

Board of Education and Management
Independence Local School District
7733 Stone Road
Independence, OH 44131

We have reviewed the Independent Auditor's Report of the Independence Local School District, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Independence Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 8, 2016

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Cuyahoga County, Ohio
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January 29, 2016

To Board of Education and Management
Independence Local School District
Cuyahoga County, Ohio
7733 Stone Road
Independence, OH 44131

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independence Local School District, Cuyahoga County, Ohio, (the School District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independence Local School District, Cuyahoga County, Ohio, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 2, the School District restated the net position balances to account for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the school district's proportionate share of the net pension liability, and the schedule of school district contributions on pages 5–14, 59, and 60-61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2016, on our consideration of the School 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 School District's internal control over financial reporting and compliance.

Hea & Associates, Inc.

Medina, Ohio

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Independence Local School District
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

The discussion and analysis of the Independence Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position increased \$2,611,058, which represents a 56 percent increase from 2014.
- Capital assets increased \$91,762 during fiscal year 2015.
- During the fiscal year, outstanding debt decreased from \$13,764,989 to \$13,474,993 due to principal payments made by the School District
- The School District implemented GASB 68 and GASB 71, which reduced beginning net position as previously reported by \$21,501,867.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Independence Local School District, the general fund and bond retirement fund are the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Independence Local School District
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of major funds begins on page 12. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and bond retirement fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 22 and 23. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Independence Local School District
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014:

Table 1
Net Position

	Governmental Activities	
	2015	Restated 2014
Assets		
Current and Other Assets	\$ 27,192,801	\$ 26,067,117
Capital Assets	21,208,471	21,116,709
<i>Total Assets</i>	48,401,272	47,183,826
Deferred Outflows of Resources		
Deferred Charges on Refunding	640,414	685,308
Pension	1,393,960	1,283,095
<i>Total Deferred Outflows of Resources</i>	2,034,374	1,968,403
Liabilities		
Current and Other Liabilities	1,942,285	1,596,041
Long-Term Liabilities:		
Due Within One Year	912,959	791,419
Due in More Than One Year		
Net Pension Liability	19,176,004	22,784,962
Other Amounts	15,100,540	16,012,463
<i>Total Liabilities</i>	37,131,788	41,184,885
Deferred Inflows of Resources		
Property Taxes and Other	11,921,359	12,663,046
Pension	3,467,143	0
<i>Total Deferred Inflows of Resources</i>	15,388,502	12,663,046
Net Position		
Net Investment in Capital Assets	8,175,200	8,064,999
Restricted	3,498,767	3,433,587
Unrestricted	(13,758,611)	(16,194,288)
<i>Total Net Position</i>	\$ (2,084,644)	\$ (4,695,702)

Independence Local School District
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

During fiscal year 2015, the School District adopted GASB Statement 68, Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

Independence Local School District
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$16,806,165 to a deficit balance of \$4,695,702.

At year end, capital assets represented 44 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. The net investment in capital assets was \$8,175,200 at June 30, 2015. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Current and other liabilities increased by \$346,244 during fiscal year 2015. The increase was primarily due to a significant increase in contracts payable representing additions to capital assets. There was also a \$2,153,222 increase in cash and investments as receipts outpaced expenditures in the general fund.

Long-term liabilities decreased \$4,399,341 as compared to fiscal year 2014. This decrease can be primarily attributed to a decrease in net pension liability. Deferred inflows of resources increased due to the implementation of GASB 68.

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Independence Local School District
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities	
	2015	2014
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 507,445	\$ 505,784
Operating Grants	612,937	504,191
Capital Grants	741,650	0
<i>Total Program Revenues</i>	<u>1,862,032</u>	<u>1,009,975</u>
<i>General Revenues:</i>		
Property Taxes	13,905,198	14,931,495
Grants and Entitlements Not Restricted	2,493,931	2,562,296
Payments in Lieu of Taxes	1,981,330	2,208,600
Other	194,414	195,013
<i>Total General Revenues</i>	<u>18,574,873</u>	<u>19,897,404</u>
<i>Total Revenues</i>	<u>20,436,905</u>	<u>20,907,379</u>
Program Expenses		
Instruction:		
Regular	8,235,666	8,493,473
Special	1,413,106	1,377,947
Vocational	0	506
Student Intervention Services	27,780	20,554
Other	122,225	130,188
Support Services:		
Pupils	847,138	779,674
Instructional Staff	570,142	584,578
Board of Education	182,936	176,359
Administration	1,143,178	1,056,631
Fiscal	624,259	602,136
Business	175,457	149,408
Operation and Maintenance of Plant	1,715,137	1,621,833
Pupil Transportation	863,900	924,170
Central	38,299	39,952
Operation of Non-Instructional Services:		
Food Service Operations	314,341	300,409
Community Services	348,689	200,884
Other	0	10,130
Extracurricular Activities	617,088	605,326
Debt Service:		
Interest and Fiscal Charges	586,506	903,874
<i>Total Expenses</i>	<u>17,825,847</u>	<u>17,978,032</u>
<i>Increase (Decrease) Before Extraordinary Item</i>	2,611,058	2,929,347
Extraordinary Item	0	(5,323,012)
<i>Increase (Decrease) in Net Position</i>	<u>\$ 2,611,058</u>	<u>\$ (2,393,665)</u>

Independence Local School District
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,283,095 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$960,626. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$	17,825,847
Pension expense under GASB 68		(960,626)
2015 contractually required contribution		1,213,306
Adjusted 2015 program expenses		18,078,527
Total 2014 program expenses under GASB 27		17,978,032
Increase in program expenses not related pension	\$	100,495

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, fiscal year 2014 was also updated in Tables 2 and 3 to reflect this change.

There was a \$741,650 increase in capital grants and contributions during fiscal year 2015. The increase is the result of a donation of improvements to the football stadium. During fiscal year 2015, interest and fiscal charges decreased by \$317,368. The decrease is primarily due to debt issuance costs being expensed as interest expense during fiscal year 2014 with the implementation of GASB 65.

There was a \$1,026,297 decrease in property taxes revenue during fiscal year 2015 due to a decrease in delinquent balances.

During fiscal year 2015, there was a \$5,323,012 decrease in extraordinary items. The Tax Commissioner of Ohio determined a major taxpayer was tax exempt in Cuyahoga County. As a result, this taxpayer's delinquent real estate taxes were deemed uncollectable and reported as an extraordinary item for fiscal year 2014.

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Independence Local School District
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2015	2014	2015	2014
Instruction:				
Regular	\$ 8,235,666	\$ 8,493,473	\$ 8,000,892	\$ 8,320,005
Special	1,413,106	1,377,947	1,264,190	1,254,131
Vocational	0	506	0	506
Student Intervention Services	27,780	20,554	27,780	20,554
Other	122,225	130,188	121,868	130,188
Support Services:				
Pupils	847,138	779,674	847,138	779,674
Instructional Staff	570,142	584,578	564,742	579,178
Board of Education	182,936	176,359	182,936	176,359
Administration	1,143,178	1,056,631	1,143,178	1,056,631
Fiscal	624,259	602,136	624,259	602,136
Business	175,457	149,408	175,457	149,408
Operation and Maintenance of Plant	1,715,137	1,621,833	1,715,137	1,621,833
Pupil Transportation	863,900	924,170	817,060	876,607
Central	38,299	39,952	38,299	39,952
Operation of Non-Instructional Services:				
Food Service Operations	314,341	300,409	60,691	60,801
Community Services	348,689	200,884	(2,176)	(141,547)
Other	0	10,130	0	10,130
Extracurricular Activities	617,088	605,326	(204,142)	527,637
Debt Service:				
Interest and Fiscal Charges	586,506	903,874	586,506	903,874
<i>Total Expenses</i>	<u>\$ 17,825,847</u>	<u>\$ 17,978,032</u>	<u>\$ 15,963,815</u>	<u>\$ 16,968,057</u>

The dependence upon general revenues for governmental activities is apparent. Almost 90 percent of governmental activities are supported through taxes and other general revenues; such revenues are 91 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,162,905 and expenditures of \$18,183,998 for the fiscal year.

Independence Local School District
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

The general fund's net change in fund balance for fiscal year 2015 was an increase of \$1,742,171. This was a result of revenues outpacing expenditures during fiscal year 2015.

The fund balance of the bond retirement fund increased by \$187,551, due to the timing of property tax revenue compared to debt payments.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2015, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue was \$17,302,643, which is higher than the final budget basis revenue by \$632,607. Most of this difference is due to an underestimation of property tax revenue.

Final expenditure appropriations of \$15,262,256 were \$102,967 higher than the actual expenditures of \$15,159,289, with the majority of the cost savings recognized in operation and maintenance of plant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$21,208,471 invested in capital assets. Table 4 shows fiscal year 2015 balances compared with 2014.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2015	2014
Land	\$ 147,099	\$ 147,099
Construction in Progress	249,567	0
Land Improvements	1,204,323	496,054
Buildings and Building Improvements	19,039,589	19,905,884
Furniture and Fixtures	231,259	284,967
Vehicles	336,634	282,705
<i>Totals</i>	\$ 21,208,471	\$ 21,116,709

The \$91,762 increase in capital assets was attributable to additional purchases and donations exceeding current year depreciation and disposals. See Note 9 for more information about the capital assets of the School District.

Independence Local School District
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Debt

At June 30, 2015, the School District had \$13,474,993 in bonds outstanding. See Note 14 for additional details. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2015	2014
2011 School Improvement Serial and Capital Appreciation Bonds	\$ 7,379,993	\$ 7,504,993
2012 School Improvement Serial, Term and Capital Appreciation Bonds	5,080,000	5,164,996
Energy Conservation Bonds	1,015,000	1,095,000
<i>Total</i>	<u>\$ 13,474,993</u>	<u>\$ 13,764,989</u>

Current Issues

The Board of Education and administration closely monitor revenues and expenditures in accordance with its financial forecast and the School District Continuous Improvement Plan.

The financial future of the School District improved between the end of fiscal year 2015 and 2014 when the general fund unencumbered cash balance increased to \$8,167,572 from \$6,409,717. This was a result of various staffing, benefit and budget adjustments and an increase in TIF real estate and public utility personal property collections in fiscal year 2015. The School District's goal is to maintain positive, unreserved fund balances for an extended period of time. To meet this goal, revenue must be equal to, or greater than expenditures each year for the extended period and the unreserved balance ending in the extended period, must be at least zero. Our immediate goals are to end future fiscal years with positive balances, by continuing to reduce expenditure costs and requesting revenue growth to retain positions and programs.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Eric Koehler, Treasurer of Independence Local School District, 7733 Stone Road, Independence, Ohio 44131 or email at ekoehler@independence.k12.oh.us.

Independence Local School District
Cuyahoga County, Ohio
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 11,357,255
Receivables:	
Revenue in Lieu of Taxes	1,895,511
Property Taxes	13,940,035
Nondepreciable Capital Assets	396,666
Depreciable Capital Assets (Net)	20,811,805
<i>Total Assets</i>	48,401,272
 Deferred Outflows of Resources	
Deferred Charges on Refunding	640,414
Pension	1,393,960
<i>Total Deferred Outflows of Resources</i>	2,034,374
 Liabilities	
Accounts Payable	88,264
Accrued Wages and Benefits	1,155,412
Contracts Payable	239,567
Intergovernmental Payable	188,986
Accrued Vacation Leave Payable	53,622
Matured Compensated Absences Payable	187,917
Accrued Interest Payable	28,517
Long Term Liabilities:	
Due Within One Year	912,959
Due In More Than One Year:	
Net Pension Liability (See Note 12)	19,176,004
Other Amonts Due in More Than One Year	15,100,540
<i>Total Liabilities</i>	37,131,788
 Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	10,025,848
Payment in Lieu of Taxes for the Next Year	1,895,511
Pension	3,467,143
<i>Total Deferred Inflows of Resources</i>	15,388,502
 Net Position	
Net Investment in Capital Assets	8,175,200
Restricted For:	
Capital Outlay	651,882
Debt Service	2,835,007
Other Purposes	11,878
Unrestricted	(13,758,611)
<i>Total Net Position</i>	\$ (2,084,644)

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
			Capital Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 8,235,666	\$ 145,022	\$ 89,752	\$ (8,000,892)
Special	1,413,106	32,762	116,154	(1,264,190)
Student Intervention Services	27,780	0	0	(27,780)
Other	122,225	0	357	(121,868)
Support Services:				
Pupils	847,138	0	0	(847,138)
Instructional Staff	570,142	0	5,400	(564,742)
Board of Education	182,936	0	0	(182,936)
Administration	1,143,178	0	0	(1,143,178)
Fiscal	624,259	0	0	(624,259)
Business	175,457	0	0	(175,457)
Operation and Maintenance of Plant	1,715,137	0	0	(1,715,137)
Pupil Transportation	863,900	0	46,840	(817,060)
Central	38,299	0	0	(38,299)
Operation of Non-Instructional Services:				
Food Service Operations	314,341	181,323	72,327	(60,691)
Community Services	348,689	69,008	281,857	2,176
Extracurricular Activities	617,088	79,330	250	204,142
Debt Service:				
Interest and Fiscal Charges	586,506	0	0	(586,506)
Total	\$ 17,825,847	\$ 507,445	\$ 612,937	\$ 741,650
				(15,963,815)

General Revenues

Property Taxes Levied for:

General Purposes	12,461,804
Debt Service	949,772
Capital Outlay	493,622
Grants and Entitlements Not Restricted to Specific Programs	2,493,931
Payments in Lieu of Taxes	1,981,330
Investment Earnings	24,257
Miscellaneous	170,157
Total General Revenues	18,574,873

Change in Net Position

2,611,058

Net Position Beginning of Year (Restated - See Note 2R)

(4,695,702)

Net Position End of Year

\$ (2,084,644)

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Balance Sheet
Governmental Funds
June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 8,239,039	\$ 2,591,957	\$ 526,259	\$ 11,357,255
Receivables:				
Revenue in Lieu of Taxes	1,699,558	128,846	67,107	1,895,511
Property Taxes	12,524,845	937,034	478,156	13,940,035
<i>Total Assets</i>	<u>\$ 22,463,442</u>	<u>\$ 3,657,837</u>	<u>\$ 1,071,522</u>	<u>\$ 27,192,801</u>
Liabilities				
Accounts Payable	\$ 84,052	\$ 0	\$ 4,212	\$ 88,264
Accrued Wages and Benefits	1,140,612	0	14,800	1,155,412
Contracts Payable	13,633	0	225,934	239,567
Intergovernmental Payable	184,319	0	4,667	188,986
Matured Compensated Absences Payable	180,293	0	7,624	187,917
<i>Total Liabilities</i>	<u>1,602,909</u>	<u>0</u>	<u>257,237</u>	<u>1,860,146</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	9,023,178	665,467	337,203	10,025,848
Payment in Lieu of Taxes for the Next Year	1,699,558	128,846	67,107	1,895,511
Unavailable Revenue	587,131	43,909	22,381	653,421
<i>Total Deferred Inflows of Resources</i>	<u>11,309,867</u>	<u>838,222</u>	<u>426,691</u>	<u>12,574,780</u>
Fund Balances				
Restricted	0	2,819,615	413,670	3,233,285
Assigned	39,094	0	0	39,094
Unassigned	9,511,572	0	(26,076)	9,485,496
<i>Total Fund Balances</i>	<u>9,550,666</u>	<u>2,819,615</u>	<u>387,594</u>	<u>12,757,875</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 22,463,442</u>	<u>\$ 3,657,837</u>	<u>\$ 1,071,522</u>	<u>\$ 27,192,801</u>

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances		\$ 12,757,875
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		21,208,471
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes		653,421
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(28,517)
In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued.		640,414
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	1,393,960	
Deferred Inflows - Pension	(3,467,143)	
Net Pension Liability	(19,176,004)	(21,249,187)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(12,980,000)	
Capital Appreciation Bonds	(494,993)	
Bond Premium	(974,125)	
Accretion of Interest - Capital Appreciation Bonds	(347,128)	
Vacations Payable	(53,622)	
Compensated Absences	(1,217,253)	(16,067,121)
<i>Net Position of Governmental Activities</i>		\$ (2,084,644)

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 12,879,302	\$ 982,428	\$ 511,117	\$ 14,372,847
Intergovernmental	2,436,382	140,764	529,472	3,106,618
Investment Income	20,787	3,470	0	24,257
Tuition and Fees	177,785	0	0	177,785
Extracurricular Activities	37,116	0	42,214	79,330
Rentals	69,008	0	0	69,008
Charges for Services	1,150	0	180,173	181,323
Contributions and Donations	0	0	250	250
Payments in Lieu of Taxes	1,785,377	128,846	67,107	1,981,330
Miscellaneous	146,429	0	23,728	170,157
<i>Total Revenues</i>	<u>17,553,336</u>	<u>1,255,508</u>	<u>1,354,061</u>	<u>20,162,905</u>
Expenditures				
Current:				
Instruction:				
Regular	7,230,605	0	198,603	7,429,208
Special	1,318,680	0	90,645	1,409,325
Student Intervention Services	27,780	0	0	27,780
Other	122,225	0	0	122,225
Support Services:				
Pupils	889,400	0	0	889,400
Instructional Staff	646,832	0	5,400	652,232
Board of Education	182,999	0	0	182,999
Administration	1,155,624	0	0	1,155,624
Fiscal	599,317	16,129	8,401	623,847
Business	175,457	0	0	175,457
Operation and Maintenance of Plant	1,682,469	0	93,324	1,775,793
Pupil Transportation	778,020	0	91,272	869,292
Central	38,299	0	0	38,299
Extracurricular Activities	483,525	0	108,026	591,551
Operation of Non-Instructional Services:				
Food Service Operations	165	0	312,754	312,919
Community Services	0	0	370,327	370,327
Capital Outlay	0	0	369,611	369,611
Debt Service:				
Principal Retirement	24,643	209,996	80,000	314,639
Interest and Fiscal Charges	655	841,832	30,983	873,470
<i>Total Expenditures</i>	<u>15,356,695</u>	<u>1,067,957</u>	<u>1,759,346</u>	<u>18,183,998</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,196,641</u>	<u>187,551</u>	<u>(405,285)</u>	<u>1,978,907</u>
Other Financing Sources (Uses)				
Transfers In	0	0	454,470	454,470
Transfers Out	(454,470)	0	0	(454,470)
<i>Total Other Financing Sources (Uses)</i>	<u>(454,470)</u>	<u>0</u>	<u>454,470</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,742,171	187,551	49,185	1,978,907
<i>Fund Balances Beginning of Year</i>	<u>7,808,495</u>	<u>2,632,064</u>	<u>338,409</u>	<u>10,778,968</u>
<i>Fund Balances End of Year</i>	<u>\$ 9,550,666</u>	<u>\$ 2,819,615</u>	<u>\$ 387,594</u>	<u>\$ 12,757,875</u>

See accompanying notes to the basic financial statements.

**Independence Local School District
Cuyahoga County, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds	\$	1,978,907
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 1,265,454	
Current Year Depreciation	<u>(1,173,692)</u>	91,762
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes		(467,650)
Repayment of principal and accreted interest on CAB's is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	205,000	
Capital Appreciation Bonds	84,996	
Accreted Interest on Capital Appreciation Bonds (CAB)	520,004	
Capital Leases	<u>24,643</u>	834,643
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,213,306
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(960,626)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	235	
Amortization of Premium on Bonds	68,261	
Amortization of Refunding Loss	<u>(44,894)</u>	23,602
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	144,121	
Vacations Payable	<u>9,635</u>	153,756
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		
		<u>(256,642)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u>2,611,058</u>

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 12,134,447	\$ 12,091,633	\$ 12,667,193	\$ 575,560
Intergovernmental	2,386,645	2,501,095	2,493,854	(7,241)
Investment Income	15,000	18,000	19,852	1,852
Tuition and Fees	117,500	162,500	178,175	15,675
Extracurricular Activities	39,500	39,500	37,116	(2,384)
Rentals	60,000	60,000	69,008	9,008
Charges for Services	1,250	1,250	1,150	(100)
Payments in Lieu of Taxes	1,785,377	1,785,377	1,785,377	0
Miscellaneous	14,181	10,681	50,918	40,237
<i>Total Revenues</i>	<u>16,553,900</u>	<u>16,670,036</u>	<u>17,302,643</u>	<u>632,607</u>
Expenditures				
Current:				
Instruction:				
Regular	7,251,558	7,186,177	7,143,146	43,031
Special	1,237,457	1,283,569	1,298,289	(14,720)
Student Intervention Services	9,327	9,888	27,780	(17,892)
Other	129,539	132,007	122,225	9,782
Support Services:				
Pupils	804,529	874,061	887,731	(13,670)
Instructional Staff	809,036	734,702	649,497	85,205
Board of Education	206,123	199,519	178,598	20,921
Administration	1,111,783	1,113,318	1,141,072	(27,754)
Fiscal	583,368	605,043	592,282	12,761
Business	126,635	128,940	114,167	14,773
Operation and Maintenance of Plant	1,548,632	1,559,669	1,699,172	(139,503)
Pupil Transportation	864,888	859,262	782,065	77,197
Central	49,072	49,846	38,299	11,547
Extracurricular Activities	530,113	526,056	484,801	41,255
Operation of Non-Instructional Services:				
Food Service Operations	196	199	165	34
<i>Total Expenditures</i>	<u>15,262,256</u>	<u>15,262,256</u>	<u>15,159,289</u>	<u>102,967</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,291,644</u>	<u>1,407,780</u>	<u>2,143,354</u>	<u>735,574</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	931	0	(931)
Refund of Prior Year Expenditures	0	0	7,865	7,865
Advances In	297,000	297,000	0	(297,000)
Advances Out	(297,000)	(297,000)	0	297,000
Transfers Out	(150,000)	(150,000)	(454,470)	(304,470)
<i>Total Other Financing Sources (Uses)</i>	<u>(150,000)</u>	<u>(149,069)</u>	<u>(446,605)</u>	<u>(297,536)</u>
<i>Net Change in Fund Balance</i>	1,141,644	1,258,711	1,696,749	438,038
<i>Fund Balance Beginning of Year</i>	6,409,717	6,409,717	6,409,717	0
Prior Year Encumbrances Appropriated	61,106	61,106	61,106	0
<i>Fund Balance End of Year</i>	<u>\$ 7,612,467</u>	<u>\$ 7,729,534</u>	<u>\$ 8,167,572</u>	<u>\$ 438,038</u>

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 7,486	\$ 251,177
Liabilities		
Intergovernmental Payable	0	\$ 204
Undistributed Monies	0	4,123
Due to Students	0	246,850
<i>Total Liabilities</i>	0	\$ 251,177
Net Position		
Held in Trust for Scholarships	\$ 7,486	

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	<u>Private Purpose Trust</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>\$ 500</u>
<i>Change in Net Position</i>	(500)
<i>Net Position Beginning of Year</i>	<u>7,986</u>
<i>Net Position End of Year</i>	<u>\$ 7,486</u>

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 - Description of the School District and Reporting Entity

Independence Local School District (the “School District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and federal agencies.

The School District is located in Independence, Ohio, Cuyahoga County. The Board of Education controls the School District's four instructional/support facilities.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District 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 Local School District, this includes general operations, food service and student related activities of the School District.

Parochial School Within the School District boundaries, St. Michael’s School is operated through the Cleveland Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the treasurer of the School District, as directed by the parochial school. These transactions are reported as a governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in the North Coast Council, the Cuyahoga Valley Career Center, and the Ohio Schools’ Council, which are defined as jointly governed organizations, the Suburban Health Consortium, which is a risk sharing pool and the Ohio Association of School Business Officials (OASBO) Workers’ Compensation Group Rating Plan which is an insurance purchasing pool. These organizations are presented in Notes 15 and 16 to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following are the most significant of the School District's accounting policies.

A. Basis of Presentation

The School 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.

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 financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to Ohio law.

Bond Retirement Fund The bond retirement fund accounts for the resources to pay for principal and interest on long-term general obligation debt of governmental funds.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe imposed constraints.

Fiduciary Fund Types Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust, which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student managed activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The private purpose trust fund is reported using the economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included on the statement of fiduciary net position. The statement of changes in fiduciary net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

Deferred Inflows of Resources and Deferred Outflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12).

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the statement of activities as an expense with a like amount reported within the “operating grants and contributions” program revenue account.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District’s records. Interest in the pool is presented as "equity in pooled cash and investments."

During fiscal year 2015, the School District’s investments were limited to STAR Ohio, STAR Plus and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2015.

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

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Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$20,787, which includes \$2,167 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as “investments.”

F. Bond Premium

On government-wide financial statements, bond premiums are amortized over the term of the bond using the straight-line method since the results are not significantly different from the effective interest method or bonds outstanding method. Bond premiums are presented as an increase of the face amount of the bonds payable.

G. Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. All of the School District’s capital assets are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20-50 years
Furniture and Equipment	5-10 years
Vehicles	10 years

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H. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and interfund services provided and used are classified as "interfund receivables/payables." Interfund balances are eliminated in the governmental activities column of the statement of net position.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated unpaid leave is paid.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases payable are recognized as a liability on the governmental fund financial statements when due.

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L. 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. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net position. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2015, there was no net position restricted by enabling legislation.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Extraordinary and Special Items

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

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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Q. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

R. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

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GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

Net Position June 30, 2014	\$ 16,806,165
Adjustments:	
Net Pension Liability	(22,784,962)
Deferred Outflow - Payments Subsequent to Measurement Date	1,283,095
Restated Net Position, July 1, 2014	\$ (4,695,702)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 3 – Accountability

The following fund had a GAAP deficit fund balance at June 30, 2015:

Nonmajor Governmental Funds:	Amount
Food Service Fund	\$ 26,076

The deficit in this governmental fund resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and will provide transfers when cash is required, not when accruals occur.

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (GAAP basis).

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4. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund.

Net Change in Fund Balance

GAAP Basis	\$	1,742,171
Net adjustments for revenue accruals		(155,572)
Net adjustments for expenditure accruals		141,677
Funds budgeted elsewhere**		(1,070)
Adjustments for encumbrances		<u>(30,457)</u>
 Budget Basis	 \$	 <u><u>1,696,749</u></u>

** As part of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies and public school support funds.

Note 5 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all uninsured public monies deposited with the institution.

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Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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Custodial credit risk is the risk that in the event of bank failure, the government’s deposits may not be returned to it. Protection of School District’s cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, and per School District policy, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Deposits

At fiscal year-end, the carrying amount of the School District’s deposits was \$10,792,370. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2015, \$2,156,237 of the School District’s bank balance of \$11,076,024 was exposed to custodial risk as discussed below, while \$8,919,787 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$8,178,004 held in a STAR Plus account.

Investments

As of June 30, 2015, the School District had the following investment and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	Investment Maturity < 3 <u>Months</u>	% of Total <u>Investment</u>
STAR Ohio	\$823,548	\$823,548	100.00%

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District’s policy indicates that investments must mature within five years, unless matched to a specific obligation or debt of the School District.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2015, is 53 days and carries a rating of AAAM by Standard and Poor’s.

Concentration of Credit Risk – The School District places no limit on the amount it may invest in any one issuer.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

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Note 6 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 in the general, bond retirement and permanent improvement funds (a non-major governmental fund) were \$2,914,536, \$227,658, and \$118,572, respectively. The amount available for advance at June 30, 2014, in the general, bond retirement and permanent improvement funds (a non-major governmental fund) were \$2,702,427, \$209,797, and \$109,271, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

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The assessed values upon which the fiscal year 2015 taxes were collected are:

	2015 First-Half Collections		2014 Second-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 439,062,350	95.86%	\$ 438,840,560	96.16%
Public Utility	18,952,480	4.14%	17,533,550	3.84%
Total	\$ 458,014,830	100.00%	\$ 456,374,110	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 35.80		\$ 36.00	

Note 7 - Receivables

Receivables at June 30, 2015, consisted of property taxes and revenue in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except property taxes, are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

In prior years, tax abatement agreements were entered into between Cuyahoga County, various townships and local businesses and were accepted by the School District to encourage economic growth in the County. In return for the abatements, the businesses agreed to make payments in lieu of taxes to the School District. Each agreement states a specified percentage that the businesses will pay based on the amount of real property taxes the School District would have received. The receivables have been recorded in the funds pursuant to the agreements. The receivable is recorded in the amount the School District will receive in the subsequent fiscal year.

Note 8 - Interfund Transfers

During the fiscal year the general fund made a transfer to the building fund in the amount of \$350,470 for the repayment of debt. The general fund also made transfers to the food service fund in the amount of \$59,000 and the athletics fund in the amount of \$45,000. These transfers were made to move unrestricted balances to support programs accounted for in other funds in accordance with budgetary authorization.

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Note 9 - Capital Assets

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

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
<i>Nondepreciable Capital Assets</i>				
Land	\$ 147,099	\$ 0	\$ 0	\$ 147,099
Construction in Progress	0	249,567	0	249,567
<i>Total Capital Assets, not depreciated</i>	<u>147,099</u>	<u>249,567</u>	<u>0</u>	<u>396,666</u>
<i>Depreciable Capital Assets</i>				
Land Improvements	1,136,520	780,665	0	1,917,185
Buildings and Improvements	33,073,498	95,939	0	33,169,437
Furniture and Equipment	788,032	0	0	788,032
Vehicles	1,491,332	139,283	(111,702)	1,518,913
<i>Total Capital Assets, being depreciated</i>	<u>36,489,382</u>	<u>1,015,887</u>	<u>(111,702)</u>	<u>37,393,567</u>
<i>Less Accumulated Depreciation</i>				
Land Improvements	(640,466)	(72,396)	0	(712,862)
Buildings and Improvements	(13,167,614)	(962,234)	0	(14,129,848)
Furniture and Equipment	(503,065)	(53,708)	0	(556,773)
Vehicles	(1,208,627)	(85,354)	111,702	(1,182,279)
<i>Total Accumulated Depreciation</i>	<u>(15,519,772)</u>	<u>(1,173,692)</u>	<u>111,702</u>	<u>(16,581,762)</u>
<i>Total Capital Assets, being depreciated, Net</i>	<u>20,969,610</u>	<u>(157,805)</u>	<u>0</u>	<u>20,811,805</u>
<i>Governmental Activities, Capital Assets, Net</i>	<u>\$ 21,116,709</u>	<u>\$ 91,762</u>	<u>\$ 0</u>	<u>\$ 21,208,471</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,042,324
Support Services:	
Instructional Staff	2,151
Operation and Maintenance of Plant	31,059
Pupil Transportation	86,492
Extracurricular Activities	6,548
Food Service Operations	5,118
	<u>\$ 1,173,692</u>

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Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks were covered by commercial insurance purchased from independent third parties.

During fiscal year 2015, the School District contracted with the following companies for insurance: the Netherlands Insurance Company for property, crime and inland marine, the Travelers Property Casualty for boiler and the Netherlands Insurance Company for blanket employee dishonesty. The property insurance covers each of the School District's buildings and contents on a replacement cost basis with a \$5,000 deductible and the inland marine insurance provides coverage on a replacement cost basis with a \$1,000 deductible. The employee dishonesty insurance has coverage up to \$50,000 with a \$500 deductible.

Professional liability is protected by the Netherlands Insurance Company with a \$1,000,000 single occurrence limit and \$5,000,000 aggregate and with a \$2,500 deductible. Vehicles are also covered by the Netherlands Insurance Company and hold a \$250 and \$500 deductible for comprehensive and collision, respectively. Automobile liability has a \$1,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years and there have been no significant reductions in insurance coverage from the prior fiscal year.

B. Workers' Compensation

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Comp Management provides administrative, cost control and actuarial services to the GRP.

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C. Employee Health Benefits

The School District participates in the Suburban Health Consortium, a shared risk pool (Note 16) to provide medical/surgical benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution, which is placed in a common fund from which the claim payments are made for all participating districts. The School District's Board of Education pays the entire cost of a monthly premium. Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance or the Directors have the right to hold monies for an exiting school district subsequent to the settlement of all expenses and claims.

Note 11 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per year, depending upon length of service and hours worked. Teachers and administrators who are not on a twelve-month contract do not earn vacation time. Classified employees and administrators who earn vacation are paid for accumulated unused vacation time upon termination of employment. Classified employees and administrators may carryover a maximum of five days at fiscal year end. Teachers, administrators and classified employees earn sick leave at the rate of 1¼ days per month. Sick leave may be accumulated up to a maximum of 280 days. Upon retirement, payment is made for 35 percent of the total sick leave accumulated up to a maximum of 75 days for teachers and administrators and 85 days for classified employees.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life Insurance. The coverage varies with employees depending on negotiated agreements and benefit packages.

Note 12 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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.

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Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$268,806 for fiscal year 2015. Of this amount \$7,480 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$944,500 for fiscal year 2015. Of this amount \$122,837 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 15,630,307	\$ 3,545,697	\$ 19,176,004
Proportion of the Net Pension Liability	0.06426021%	0.07006000%	
Pension Expense	\$ 703,015	\$ 257,611	\$ 960,626

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS	SERS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 150,476	\$ 30,178	\$ 180,654
School District contributions subsequent to the measurement date	944,500	268,806	1,213,306
Total Deferred Outflows of Resources	\$ 1,094,976	\$ 298,984	\$ 1,393,960

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$ 2,891,666	\$ 575,477	\$ 3,467,143
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\$1,213,306 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2016	\$ (685,298)	\$ (136,325)	\$ (821,623)
2017	(685,298)	(136,325)	(821,623)
2018	(685,298)	(136,325)	(821,623)
2019	(685,296)	(136,324)	(821,620)
	\$ (2,741,190)	\$ (545,299)	\$ (3,286,489)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 5,058,655	\$ 3,545,697	\$ 2,273,168

Actuarial Assumptions - STRS

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

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 22,376,489	\$ 15,630,307	\$ 9,925,307

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Note 13 - Postemployment Benefits

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$49,695, \$35,877 and \$32,355, respectively. For fiscal year 2015, 97 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

Plan Description - The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$73,095, and \$73,986, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 14 - Long Term Obligations

A schedule of changes in bonds and other long-term obligations of the School District during fiscal year 2015 follows:

	Restated Outstanding Balance 6/30/2014	Additions	Deductions	Outstanding Balance 6/30/2015	Amount Due in One Year
<i>General Obligation Bonds:</i>					
Energy Conservation Bonds	\$ 1,095,000	\$ 0	\$ 80,000	\$ 1,015,000	\$ 80,000
2011 Refunding Bonds					
Current Interest Serial Bonds	7,010,000	0	125,000	6,885,000	125,000
Capital Appreciation Bonds	494,993	0	0	494,993	0
Accretion on CAB's	231,144	115,984	0	347,128	0
Issuance Premiums	608,372	0	41,957	566,415	0
2012 Refunding Bonds					
Current Interest Serial Bonds	4,815,000	0	0	4,815,000	600,000
Current Interest Term Bonds	265,000	0	0	265,000	0
Capital Appreciation Bonds	84,996	0	84,996	0	0
Accretion on CAB's	379,346	140,658	520,004	0	0
Issuance Premiums	434,014	0	26,304	407,710	0
Total General Obligation Bonds	15,417,865	256,642	878,261	14,796,246	805,000
Net Pension Liability:					
STRS	18,618,719	0	2,988,412	15,630,307	0
SERS	4,166,243	0	620,546	3,545,697	0
Total Net Pension Liability	22,784,962	0	3,608,958	19,176,004	0
<i>Other Long-Term Liabilities:</i>					
Compensated absences	1,361,374	58,553	202,674	1,217,253	107,959
Capital Lease Payable	24,643	0	24,643	0	0
Total Other Long-Term Liabilities	1,386,017	58,553	227,317	1,217,253	107,959
Total Governmental Long-Term Obligations	\$39,588,844	\$ 315,195	\$ 4,714,536	\$35,189,503	\$ 912,959

Compensated absences will be paid from the fund in which the employee is paid, which in prior years has primarily been the general fund. The School District pays obligations related to employee compensation from the fund benefitting from their service. General obligation debt will be paid from the bond retirement fund and the permanent improvement fund. Capital leases were paid from the general fund. See Note 18 for additional details.

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2011 Refunding School Improvement General Obligation Bonds – On December 16, 2011 the School District issued \$7,764,993 in voted general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amount of \$7,270,000 and \$494,993, respectively. The bonds advance refunded \$7,765,000 of outstanding 2003 School Improvement General Obligation Bonds. The bonds were issued for a sixteen year period with final maturity at December 1, 2027.

At the date of refunding, \$8,478,257 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. The advance refunding reduced cash flows required for debt service by \$1,225,842 over the next sixteen years and resulted in an economic gain of \$983,091.

The bonds were issued with a premium of \$713,264, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method, which is not significantly different than the effective interest rate method. The amortization of the premium for fiscal year 2015 was \$41,957. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$471,323. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2015 was \$27,724.

The bond issue consists of serial and capital appreciation bonds. The serial bonds were issued with an interest rate of 1.00 – 3.125 percent. The capital appreciation bonds will mature December 1, 2018 and December 1, 2019, and are not subject to early redemption. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as an increase to principal liability. The maturity amount of the bonds is \$1,500,000. The fiscal year 2015 accretion amount was \$115,984.

2012 Refunding School Improvement General Obligation Bonds – On January 12, 2012 the School District issued \$5,869,996 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$5,520,000, 265,000 and \$84,996, respectively. The bonds advance refunded \$5,870,000 of outstanding 2003 School Improvement General Obligation Bonds. The bonds were issued for a nineteen year period with final maturity at December 1, 2030.

At the date of refunding, \$6,369,770 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. The advance refunding reduced cash flows required for debt service by \$628,841 over the next nineteen years and resulted in an economic gain of \$439,190.

The bonds were issued with a premium of \$499,774, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method, which is not significantly different than the effective interest rate method. The amortization of the premium for fiscal year 2015 was \$26,304. The issuance costs of \$119,465 were expensed. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$326,227. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2015 was \$17,170.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The bond issue consists of serial, term and capital appreciation bonds. The serial bonds were issued with an interest rate of 1.00 – 3.25 percent. The term bonds that mature in fiscal year 2028 with an interest rate of 3.00 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2027 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2018	\$ 20,000
2019	25,000
2020	25,000
2021	35,000
2022	25,000
2023	25,000
2024	25,000
2025	25,000
2026	30,000
2027	30,000

The capital appreciation bond matured December 1, 2014. This bond was purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion was booked as an increase to principal liability. The maturity amount of the bond was \$605,000. The fiscal year 2015 accretion amount was \$140,658.

Energy Conservation Bonds – Energy conservation bonds in the amount of \$1,250,000 were issued in accordance with Chapter 133 of the Ohio Revised Code on November 22, 2011 with interest rates ranging from 1.25 to 3.25 percent. The purpose of the energy conservation bonds issued was to reduce energy consumption in buildings owned by the School District. The energy conservation bonds were scheduled to be repaid over a 15 year period with the final payment due on December 1, 2026. The bonds will be retired from the permanent improvement fund.

Principal and interest requirements to retire long-term general obligation bonds outstanding at June 30, 2015, are as follows:

Fiscal Year	General Obligation Bonds							
	Serial & Term		Capital Appreciation		Energy Conservation		Total	
	Principal	Interest	Principal	Accretion	Principal	Interest	Principal	Interest/Accretion
Ending June 30,								
2016	\$ 725,000	\$ 313,640	\$ 0	\$ 0	\$ 80,000	\$ 26,112	\$ 805,000	\$ 339,752
2017	740,000	298,990	0	0	80,000	24,312	820,000	323,302
2018	755,000	284,040	0	0	85,000	22,456	840,000	306,496
2019	20,000	276,190	265,943	484,057	85,000	20,544	370,943	780,791
2020	25,000	275,515	229,050	520,950	90,000	18,418	344,050	814,883
2021-2025	4,040,000	1,148,924	0	0	390,000	144,165	4,430,000	1,293,089
2026-2030	4,645,000	543,475	0	0	205,000	6,744	4,850,000	550,219
2031	1,015,000	16,493	0	0	0	0	1,015,000	16,493
	<u>\$ 11,965,000</u>	<u>\$ 3,157,267</u>	<u>\$ 494,993</u>	<u>\$ 1,005,007</u>	<u>\$ 1,015,000</u>	<u>\$ 262,751</u>	<u>\$ 13,474,993</u>	<u>\$ 4,425,025</u>

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 15 - Jointly Governed Organizations

North Coast Council North Coast Council is a jointly governed computer service bureau owned and operated by 2 educational service centers (ESC's) and 31 school districts. The primary function of North Coast Council is to provide data services to school districts, community schools, joint vocational schools and ESCs. Major areas of service provided by North Coast Council include accounting, payroll, inventory, career guidance, student tracking, pupil scheduling, attendance and grade reporting. Each school is represented on the North Coast Council Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman, and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of North Coast Council. Each school district supports North Coast Council based upon a per pupil charge dependent upon the software package used. Independence Local School District paid \$39,420 to North Coast Council during fiscal year 2015. Financial information can be obtained by contacting North Coast Council, 5700 West Canal Road, Valley View, Ohio 44125.

Cuyahoga Valley Career Center The Cuyahoga Valley Career Center (a joint vocational school district) is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of representatives from each participating school district's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Cuyahoga Valley Career Center is not part of the School District and its operations are not included as part of the reporting entity. Financial information can be obtained by contacting the Treasurer at the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville Ohio 44141.

Ohio Schools' Council The Ohio Schools' Council (OSC) is a jointly governed organization among 198 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to member districts. Each district supports the OSC by paying an annual participation fee. The OSC's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2015, the School District paid \$4,802 to the OSC for various programs. Financial information can be obtained by contacting David A. Cottrell, Executive Secretary/Treasurer, Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the OSC's electric purchase program, which was implemented during fiscal year 1998 and the natural gas program that was implemented during fiscal year 2000. The electric purchase program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The natural gas program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve-year period. The participants make monthly payments based on estimated usage. Each November these estimates are compared to their actual usage for the year and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund, which are not encumbered for its share of program administrative costs.

Note 16 – Public Entity Risk Pools

A. Risk Sharing Pool

The Suburban Health Consortium is a shared health risk pool created pursuant to State statute for the purpose of administering health care benefits. The council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part at any time for their school district. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance of the terms of the contract.

B. Insurance Purchasing Pool

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President Elect and the Immediate Past President of the OASBO. The Executive Director of OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 17 – Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

D. Encumbrances

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 13,751
Other Governmental	184,524
Total Governmental Funds	<u>\$ 198,275</u>

Note 18 – Capital Lease Payable

During fiscal year 2012, the School District entered into a lease agreement for office equipment. This lease met the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds.

The office equipment has been capitalized in the governmental capital assets in the amount of \$91,778, the present value of the minimum lease payments at the inception of each lease. A corresponding liability was recorded in the statement of net position and is reduced for each required principal payment. The amortization schedule is based upon the repayment of the entire authorized amounts of the lease.

The capital lease was paid in full during fiscal year 2015.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 19 – Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

The following cash basis information describes the changes in the fiscal year-end set-aside amounts for capital improvements. Disclosure of this information is required by the State statute.

	Capital Acquisition
Set Aside Restricted Balance as of June 30, 2014	\$ 0
Current Year Set-Aside Requirement	179,459
Current Year Qualifying Expenditures	(226,038)
 Total	 \$ (46,579)
 Balance Carried Forward Fiscal Year 2016	 \$ 0
 Set Aside Restricted Balance as of June 30, 2015	 \$ 0

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years.

Note 20 – Fund Balance

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement	Other Governmental	Total
Restricted for:				
Debt Service	\$ 0	\$ 2,819,615	\$ 0	\$ 2,819,615
Capital Outlay	0	0	403,567	403,567
Student Activities	0	0	230	230
Other Purposes	0	0	9,873	9,873
Total Restricted	0	2,819,615	413,670	3,233,285
Assigned for:				
Encumbrances:				
Instruction	4,499	0	0	4,499
Support Services	8,568	0	0	8,568
Other Purposes	26,027	0	0	26,027
Total Assigned	39,094	0	0	39,094
Unassigned	9,511,572	0	(26,076)	9,485,496
<i>Total Fund Balance</i>	<i>\$ 9,550,666</i>	<i>\$ 2,819,615</i>	<i>\$ 387,594</i>	<i>\$ 12,757,875</i>

Independence Local School District
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System (STRS)</i>		
School District's proportion of the net pension liability	0.06426021%	0.06426021%
School District's proportionate share of the net pension liability	\$ 15,630,307	\$ 18,618,719
School District's covered-employee payroll	\$ 7,309,515	\$ 7,398,615
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	213.84%	251.65%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>		
School District's proportion of the net pension liability	0.07006000%	0.07006000%
School District's proportionate share of the net pension liability	\$ 3,545,697	\$ 4,166,243
School District's covered-employee payroll	\$ 2,401,573	\$ 2,362,471
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	147.64%	176.35%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

Independence Local School District
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 944,500	\$ 950,237	\$ 961,820	\$ 1,004,259
Contributions in Relation to the Contractually Required Contribution	<u>(944,500)</u>	<u>(950,237)</u>	<u>(961,820)</u>	<u>(1,004,259)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 6,746,429	\$ 7,309,515	\$ 7,398,615	\$ 7,725,069
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%
 <i>School Employees Retirement System (SERS)</i>				
Contractually required contribution	\$ 268,806	\$ 332,858	\$ 326,966	\$ 322,511
Contributions in relation to the contractually required contribution	<u>(268,806)</u>	<u>(332,858)</u>	<u>(326,966)</u>	<u>(322,511)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 2,039,499	\$ 2,401,573	\$ 2,362,471	\$ 2,397,851
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

n/a - Information prior to 2008 is not available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 966,948	\$ 985,242	\$ 998,283	\$ 914,516	\$ 888,320	\$ 874,337
<u>(966,948)</u>	<u>(985,242)</u>	<u>(998,283)</u>	<u>(914,516)</u>	<u>(888,320)</u>	<u>(874,337)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 7,438,062	\$ 7,578,785	\$ 7,679,100	\$ 7,034,738	\$ 6,833,231	\$ 6,725,669
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 337,954	\$ 135,148	\$ 269,220	\$ 208,847	n/a	n/a
<u>(337,954)</u>	<u>(135,148)</u>	<u>(269,220)</u>	<u>(208,847)</u>	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a
\$ 2,688,576	\$ 998,139	\$ 2,735,976	\$ 2,126,752	n/a	n/a
12.57%	13.54%	9.84%	9.82%	n/a	n/a

January 29, 2016

To Board of Education and Management
Independence Local School District
Cuyahoga County, Ohio
7733 Stone Road
Independence, OH 44131

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

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, each major fund, and the aggregate remaining fund information of the Independence Local School District, Cuyahoga County, Ohio (the "School District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 29, 2016, in which we noted the School District restated net position to account for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School 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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Medina, Ohio

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Dave Yost • Auditor of State

INDEPENDENCE LOCAL SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 21, 2016**