

**INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
Truro, Iowa**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2015

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Interstate 35 Community School District

Officials

NAME	TITLE	TERM EXPIRES
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Board of Education

Julie Brownlee	President	2015
Leah Gray	Vice President	2015
Tracy Bean	Board Member	2015
Dan Kirkpatrick	Board Member	2017
Bryan Arzani	Board Member	2017

School Officials

Dr. Kevin Fiene	Superintendent	2015
Ted Bauer	District Secretary/Treasurer and Business Manager	2015
Ahlers and Cooney, P.C.	Attorney	Indefinite

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

Independent Auditor's Report

To the Board of Education of
Interstate 35 Community School District
Truro, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Interstate 35 Community School District, Truro, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Interstate 35 Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Interstate 35 Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pension – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 47 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Interstate 35 Community School District's basic financial statements. We and other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statement. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2016 on our consideration of Interstate 35 Community 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Interstate 35 Community School District's internal control over financial reporting and compliance.

Schnur & Company, LLP

Fort Dodge, Iowa
January 25, 2016

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Interstate 35 Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$8,798,147 in fiscal year 2014 to \$8,736,929 in fiscal year 2015, while General Fund expenditures decreased from \$8,979,644 in fiscal year 2014 to \$8,910,902 in fiscal year 2015. This District's General Fund balance decreased from \$1,464,941 at the end of fiscal year 2014 to \$1,314,673 at the end of fiscal year 2015, a 10.3% decrease.
- The 0.70% reduction in General Fund revenues (\$61,218) was largely attributable to the 4% increase in the state "cost per pupil" offset by the impacts of the decrease in certified enrollment and the loss of one-time 2% additional state funding in FY14.
- The 0.77% reduction in General Fund expenditures (\$68,742) was attributable to cuts made in positions, one of which was due to an early retirement, offset by salary and benefit increases.
- Certified enrollment (October, 2013) decreased by 22 students from Certified enrollment (October, 2012).
- The Governmental Accounting Standards Board (GASB) statement number 68 "Accounting and Financial Reporting for Pensions" was implemented during fiscal year 2015 and requires the District to recognize a net pension liability. This makes comparisons with prior fiscal years difficult and prior years have not been restated.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Interstate 35 Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Interstate 35 Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide financial information about activities for which Interstate 35 Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (CONTINUED)

Fund Financial Statements (Continued)

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund includes the Private-Purpose Trust.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-1 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change %
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Current and other assets	\$ 6,856,668	\$ 7,197,555	\$ 53,616	\$ 23,511	\$ 6,910,284	\$ 7,221,066	-4.30%
Capital assets	13,011,592	13,218,142	14,508	16,368	13,026,100	13,234,510	-1.57%
Total assets	19,868,260	20,415,697	68,124	39,879	19,936,384	20,455,576	-2.54%
Deferred outflows of resources	762,971	-	21,108	-	784,079	-	100.00%
Long-term liabilities	4,115,626	1,975,986	92,170	15,341	4,207,796	1,991,327	111.31%
Other liabilities	1,749,638	2,132,678	33,556	19,161	1,783,194	2,151,839	-17.13%
Total liabilities	5,865,264	4,108,664	125,726	34,502	5,990,990	4,143,166	44.60%
Deferred inflows of resources	4,876,044	3,711,656	30,144	-	4,906,188	3,711,656	32.18%
Net position							
Net investment in capital assets	11,487,055	10,684,335	14,508	16,368	11,501,563	10,700,703	7.48%
Restricted	1,352,652	1,509,835	-	-	1,352,652	1,509,835	-10.41%
Unrestricted	(2,949,784)	401,207	(81,146)	(10,991)	(3,030,930)	390,216	-876.73%
Total net position	\$ 9,889,923	\$ 12,595,377	\$ (66,638)	\$ 5,377	\$ 9,823,285	\$ 12,600,754	-22.04%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's total net position decreased 22%, or approximately \$2,800,000 from the prior year. The significant portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$150,000, or 10%, over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$3,400,000, or 27%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,366,948 and \$93,150, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Figure A-2 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014:

Figure A-2 Changes in Net Position							
	Governmental Activities		Business-Type Activities		Total District		Total Change % June 30,
	June 30,		June 30,		June 30,		
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 799,753	\$ 778,004	\$ 306,036	\$ 273,496	\$ 1,105,789	\$ 1,051,500	5.16%
Operating grants, contributions and restricted interest	1,241,588	1,276,573	198,933	205,258	1,440,521	1,481,831	-2.79%
General revenues:							
Property tax	3,726,529	3,775,768	-	-	3,726,529	3,775,768	-1.30%
Statewide sales, services and use tax	827,582	796,886	-	-	827,582	796,886	3.85%
Unrestricted state grants	4,407,096	4,437,758	-	-	4,407,096	4,437,758	-0.69%
Unrestricted investment earnings	2,684	3,199	763	151	3,447	3,350	2.90%
Other	163,461	9,831	-	-	163,461	9,831	1562.71%
Total revenues	11,168,693	11,078,019	505,732	478,905	11,674,425	11,556,924	1.02%
Program expenses:							
Governmental activities:							
Instruction	6,275,541	6,374,316	-	-	6,275,541	6,374,316	-1.55%
Student support services	3,354,901	3,044,997	5,301	1,458	3,360,202	3,046,455	10.30%
Non-instructional programs	-	-	472,116	471,627	472,116	471,627	0.10%
Other expenses	876,757	719,182	7,180	-	883,937	719,182	22.91%
Total expenses	10,507,199	10,138,495	484,597	473,085	10,991,796	10,611,580	3.58%
Change in net position	661,494	939,524	21,135	5,820	682,629	945,344	-27.79%
Net position beginning of year, as restated	9,228,429	11,655,853	(87,773)	(443)	9,140,656	11,655,410	-21.58%
Net position end of year	\$ 9,889,923	\$ 12,595,377	\$ (66,638)	\$ 5,377	\$ 9,823,285	\$ 12,600,754	-22.04%

In fiscal year 2015, property tax and unrestricted state grants accounted for 73% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for the business type activities revenue. The District's total revenues were approximately \$11.7 million, of which approximately \$11.2 million was for governmental activities and less than \$1 million was for business type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

As shown in Figure A-2, the District as a whole experienced a 1% increase in revenues and a 3.6% increase in expenses.

Governmental Activities

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014	% Change 2014-2015	2015	2014	% Change 2014-2015
Instruction	\$ 6,275,541	\$ 6,374,316	-1.5%	\$ 4,608,407	\$ 4,672,258	-1.37%
Support services	3,354,901	3,044,997	10.2%	3,331,303	3,036,276	9.72%
Other expenses	876,757	719,182	21.9%	526,148	375,384	40.16%
Total	\$ 10,507,199	\$ 10,138,495	3.6%	8,465,858	8,083,918	4.72%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$799,753.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,241,588.
- The net cost of governmental activities was financed with \$4,554,111 in property and other taxes and \$4,407,096 in unrestricted state grants.

Business type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$505,732, representing a 5.6% increase over the prior year, while expenses totaled \$484,597, a 2.4% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursement and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Interstate 35 Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental fund as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,142,763 below last year's ending fund balances of \$2,412,954. The primary reason for the decrease in combined fund balances at the end of fiscal year 2015 is due to "inadequate "new money", negotiated salary and benefit expenditures and increased expenditures from the Capital Projects and Debt Service Funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

INDIVIDUAL FUND ANALYSIS (Continued)

Governmental Fund Highlights

- The District's General Fund financial position declined during the year. Despite the 4.0% supplemental state assistance (formerly allowable growth), the decline in enrollment helped to cause revenues to decrease by \$61,218. Expenditures decreased \$68,742 due to reduction in spending. Expenditures exceeded revenues primarily due to salaries and benefit costs.
- The Debt Service Fund balance decreased \$253,786 from fiscal year 2014. The decrease is due to the repayment of refunding general obligation bonds and interest in the amount of \$1,037,541.
- The Capital Projects Fund balance decreased due to the purchase of \$919,830 of capital assets and \$315,918 for payment on school bus lease and general obligation capital loan. The decline is attributed to replacing computers and servers, purchasing fitness center equipment, final construction costs for the fitness center, payment on bus lease and general obligation capital loan, sidewalk replacement, cameras on buses, carpet replacement in classrooms, new fencing, and replacement of truck and plow.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from not restated \$5,377 or increased from the restated (\$87,773) at June 30, 2014 to \$(66,638) at June 30, 2015. For fiscal year 2015, the District's non-operating revenue decreased slightly, while expenditures increased principally due to increased spending on other expenses. The significant decline in fund balance for the nutrition fund can be attributed to the implementation of GASB 68 as the fund balance actually increased when compared to the restated value. See note 14 on page 46.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$321,147 less than total budgeted revenues, a variance of approximately 2.7%.

Total expenditures were less than budgeted by \$366,620.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction, support services and non-instructional programs functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$13 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. (See Figure A-4). This represents a net decrease of 1.6% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$620,161.

The original cost of the District's capital assets was approximately \$21.6 million. Governmental funds account for approximately \$21.2 million, with the remainder of approximately \$0.4 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2015, compared to \$1,294,787 reported at June 30, 2014. This significant decrease resulted from the completion of construction activity.

	Governmental Activities		Business-type Activities		Total District		Total Change %
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 600,734	\$ 600,734	\$ -	\$ -	\$ 600,734	\$ 600,734	0.00%
Construction in progress	-	1,294,787	-	-	-	1,294,787	-100.00%
Buildings	11,100,993	9,958,846	-	-	11,100,993	9,958,846	11.47%
Improvements, other than buildings	350,419	337,905	-	-	350,419	337,905	3.70%
Furniture and equipment	959,446	1,025,870	14,508	16,368	973,954	1,042,238	-6.55%
Total	\$ 13,011,592	\$ 13,218,142	\$ 14,508	\$ 16,368	\$ 13,026,100	\$ 13,234,510	-1.57%

Long-Term Debt

At June 30, 2015, the District had \$5,028,154 in total long-term debt outstanding. This represents a decrease of approximately 27.5% from last year (See Figure A-5). Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

	Total School District		Total Change %
	June 30,		June 30,
	2015	2014	2014-2015
General obligation bonds	\$ 700,000	\$ 1,150,000	-39.13%
Revenue bonds	-	250,000	-100.00%
Capital loan notes	620,000	830,000	-25.30%
Capital lease purchase agreement	204,537	303,807	-32.68%
Early retirement	62,257	49,347	26.16%
Compensated absences	22,367	10,711	108.82%
Net pension liability	2,935,993	3,892,690	-24.58%
Net OPEB liability	483,000	449,000	7.57%
Total	\$ 5,028,154	\$ 6,935,555	-27.50%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Every year the District negotiates new agreements with the Interstate 35 Education Association for certified staff and the Interstate 355 Educational Support Employees Association/ISEA for support personnel. Any settlements in excess of "new money" or growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The Iowa legislature set allowable growth for FY16 at only 1.25% and at the time of this report, had not yet set the FY17 rate.
- Certified enrollment (October 1, 2015) for FY17 funding was 868, a decrease of 27 students from October 1, 2014.
- Nonresident student enrollment (October 1, 2015) for FY17 was 68, an increase of 7 students from October 1, 2014.
- The Interstate 35 Community School District's Board of Education passed the Instructional Support Program in February, 2015. This will generate approximately \$385,437 for FY16.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ted Bauer, District Secretary/Treasurer and Business Manager, Interstate 35 Community School District, 405 E. North Street, Truro IA 50257.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
June 30, 2015

	Governmental	Business-type	Total
	Activities	Activities	
Assets			
Cash and pooled investments	\$ 2,705,462	\$ 47,704	\$ 2,753,166
Receivables:			
Property tax:			
Current year	52,144	-	52,144
Succeeding year	3,786,485	-	3,786,485
Accounts	-	620	620
Due from other governments	297,681	-	297,681
Due from other funds	14,896	(14,896)	-
Inventories	-	5,292	5,292
Capital assets, net of accumulated depreciation	13,011,592	14,508	13,026,100
Total assets	19,868,260	53,228	19,921,488
Deferred Outflows of Resources			
Pension related deferred outflows	762,971	21,108	784,079
Liabilities			
Accounts payable	202,284	95	202,379
Salaries and benefits payable	725,136	11,136	736,272
Unearned revenue	-	7,429	7,429
Accrued interest payable	1,860	-	1,860
Long-term liabilities:			
Portion due within one year:			
Early retirement	36,736	-	36,736
Bonds payable	455,000	-	455,000
Notes payable	205,000	-	205,000
Capital lease purchase agreement	101,255	-	101,255
Compensated absences	22,367	-	22,367
Portion due after one year:			
Early retirement	25,521	-	25,521
Bonds payable	245,000	-	245,000
Notes payable	415,000	-	415,000
Capital lease purchase agreement	103,282	-	103,282
Net pension liability	2,856,954	79,039	2,935,993
Net OPEB liability	469,869	13,131	483,000
Total liabilities	5,865,264	110,830	5,976,094

(Continued on next page)

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**Exhibit A
(Continued)**

**STATEMENT OF NET POSITION
June 30, 2015**

	Governmental Activities	Business-type Activities	Total
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 3,786,485	\$ -	\$ 3,786,485
Pension related deferred inflows	1,089,559	30,144	1,119,703
	<u>4,876,044</u>	<u>30,144</u>	<u>4,906,188</u>
Net Position			
Net investment in capital assets	11,487,055	14,508	11,501,563
Restricted for:			
Categorical funding	524,562	-	524,562
Management levy purposes	452,474	-	452,474
Student activities	127,536	-	127,536
School infrastructure	97,286	-	97,286
Physical plant and equipment	83,446	-	83,446
Debt Service	67,348	-	67,348
Unrestricted	(2,949,784)	(81,146)	(3,030,930)
	<u>(2,949,784)</u>	<u>(81,146)</u>	<u>(3,030,930)</u>
Total net position	<u>\$ 9,889,923</u>	<u>\$ (66,638)</u>	<u>\$ 9,823,285</u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,854,982	\$ 410,887	\$ 715,418
Special instruction	1,058,279	80,284	64,227
Other instruction	1,362,280	308,582	87,736
	<u>6,275,541</u>	<u>799,753</u>	<u>867,381</u>
Support services:			
Student	250,131	-	-
Instructional staff	589,031	-	-
Administration	1,183,525	-	23,138
Operation and maintenance of plant	580,075	-	-
Transportation	752,139	-	460
	<u>3,354,901</u>	<u>-</u>	<u>23,598</u>
Other expenditures:			
Facilities acquisition	124,581	-	-
Long-term debt interest	21,937	-	-
AEA flowthrough	350,609	-	350,609
Depreciation (unallocated)*	379,630	-	-
	<u>876,757</u>	<u>-</u>	<u>350,609</u>
Total governmental activities	<u>10,507,199</u>	<u>799,753</u>	<u>1,241,588</u>
Business-type activities:			
Support services:			
Operation and maintenance of plant	5,301	-	-
	<u>5,301</u>	<u>-</u>	<u>-</u>
Non-instructional programs:			
Food service operations	479,296	306,036	198,933
Total business-type activities	<u>484,597</u>	<u>306,036</u>	<u>198,933</u>
Total	<u>\$ 10,991,796</u>	<u>\$ 1,105,789</u>	<u>\$ 1,440,521</u>

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (2,728,677)	\$ -	\$ (2,728,677)
(913,768)	-	(913,768)
(965,962)	-	(965,962)
(4,608,407)	-	(4,608,407)
(250,131)	-	(250,131)
(589,031)	-	(589,031)
(1,160,387)	-	(1,160,387)
(580,075)	-	(580,075)
(751,679)	-	(751,679)
(3,331,303)	-	(3,331,303)
(124,581)	-	(124,581)
(21,937)	-	(21,937)
-	-	-
(379,630)	-	(379,630)
(526,148)	-	(526,148)
(8,465,858)	-	(8,465,858)
-	(5,301)	(5,301)
-	(5,301)	(5,301)
-	25,673	25,673
-	20,372	20,372
\$ (8,465,858)	\$ 20,372	\$ (8,445,486)

(Continued on next page)

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	<u>Program Revenues</u>	
	<u>Charges for</u>	<u>Operating</u>
	<u>Service</u>	<u>Grants,</u>
		<u>Contributions</u>
		<u>and Restricted</u>
		<u>Interest</u>
<u>Expenses</u>		
General Revenues:		
Property tax levied for:		
General purposes		
Debt service		
Capital outlay		
Statewide sales, services		
and use tax		
Unrestricted state grants		
Unrestricted investment earnings		
Other		
Total general revenues		

Change in net position

Net position beginning of year, as restated

Net position end of year

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

**Exhibit B
(Continued)**

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ 2,913,649	-	\$ 2,913,649
462,822	-	462,822
350,058	-	350,058
827,582	-	827,582
4,407,096	-	4,407,096
2,684	763	3,447
163,461	-	163,461
9,127,352	763	9,128,115
661,494	21,135	682,629
9,228,429	(87,773)	9,140,656
\$ 9,889,923	\$ (66,638)	\$ 9,823,285

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

Assets	General	Capital Projects
Cash and pooled investments	\$ 1,985,988	\$ 82,203
Receivables:		
Property tax:		
Current year	34,600	4,741
Succeeding year	3,060,140	264,797
Due from other governments	167,296	130,385
Due from other funds	29,896	-
	<hr/>	<hr/>
Total assets	\$ 5,277,920	\$ 482,126
	<hr/> <hr/>	<hr/> <hr/>
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:		
Accounts payable	\$ 177,971	\$ 21,597
Salaries and benefits payable	725,136	-
Due to other funds	-	15,000
Total liabilities	<hr/>	<hr/>
	903,107	36,597
	<hr/>	<hr/>
Deferred Inflows of Resources:		
Unavailable revenues:		
Succeeding year property tax	3,060,140	264,797
Total deferred inflows of resources	<hr/>	<hr/>
	3,060,140	264,797
	<hr/>	<hr/>
Fund Balances:		
Restricted for:		
Categorical funding	524,562	-
Debt service	-	-
School infrastructure	-	97,286
Physical plant and equipment	-	83,446
Management levy purposes	-	-
Student activities	-	-
Assigned for special purpose	87,023	-
Unassigned	703,088	-
Total fund balances	<hr/>	<hr/>
	1,314,673	180,732
	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and fund balances	\$ 5,277,920	\$ 482,126
	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

Exhibit C

<u>Nonmajor</u>	<u>Total</u>
\$ 637,271	\$ 2,705,462
12,803	52,144
461,548	3,786,485
-	297,681
-	29,896
<hr/>	
\$ 1,111,622	\$ 6,871,668
<hr/> <hr/>	

\$ 2,716	\$ 202,284
-	725,136
-	15,000
<hr/>	
2,716	942,420
<hr/> <hr/>	

461,548	3,786,485
<hr/>	
461,548	3,786,485
<hr/> <hr/>	

-	524,562
67,348	67,348
-	97,286
-	83,446
452,474	452,474
127,536	127,536
-	87,023
-	703,088
<hr/>	
647,358	2,142,763
<hr/> <hr/>	

\$ 1,111,622	\$ 6,871,668
<hr/> <hr/>	

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2015**

Total fund balances of governmental funds (page 18) \$ 2,142,763

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 13,011,592

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (1,860)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 762,971	
Deferred inflows of resources	<u>(1,089,559)</u>	(326,588)

Long-term liabilities, including bonds and notes payable, capital lease purchase agreements, early retirement obligations, compensated absences payable, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (4,935,984)

Net position of governmental activities (page 15) \$ 9,889,923

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Governmental Funds

Year Ended June 30, 2015

	General	Capital Projects
Revenues:		
Local sources:		
Local tax	\$ 2,453,872	\$ 348,824
Tuition	459,696	-
Other	166,504	526
State sources	5,469,643	828,816
Federal sources	187,214	-
Total revenues	8,736,929	1,178,166
Expenditures:		
Current:		
Instruction:		
Regular	3,874,338	4,338
Special	1,058,279	-
Other	1,049,569	-
	5,982,186	4,338
Support services:		
Student	250,131	-
Instructional staff	219,588	370,540
Administration	997,665	-
Operation and maintenance of plant	572,646	109,277
Transportation	538,077	82,605
	2,578,107	562,422
Other expenditures:		
Facilities acquisition	-	353,070
Long-term debt:		
Principal	-	-
Interest and fiscal charges	-	-
AEA flowthrough	350,609	-
	350,609	353,070
Total expenditures	8,910,902	919,830
Excess (deficiency) of revenues over (under) expenditures	(173,973)	258,336

Exhibit E

Nonmajor	Total
\$ 911,529	\$ 3,714,225
-	459,696
310,462	477,492
2,897	6,301,356
-	187,214
<u>1,224,888</u>	<u>11,139,983</u>
15,714	3,894,390
-	1,058,279
312,711	1,362,280
<u>328,425</u>	<u>6,314,949</u>
-	250,131
-	590,128
230,592	1,228,257
-	681,923
11,594	632,276
<u>242,186</u>	<u>3,382,715</u>
-	353,070
1,009,270	1,009,270
28,271	28,271
-	350,609
<u>1,037,541</u>	<u>1,741,220</u>
<u>1,608,152</u>	<u>11,438,884</u>
<u>(383,264)</u>	<u>(298,901)</u>

(Continued on next page)

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

Governmental Funds

Year Ended June 30, 2015

	General	Capital Projects
Other financing sources (uses):		
Capital lease purchase agreement	\$ -	\$ -
Proceeds from disposal of personal property	23,705	5,005
Interfund transfers in	-	-
Interfund transfers out	-	(320,923)
Total other financing sources (uses)	<u>23,705</u>	<u>(315,918)</u>
Change in fund balances	(150,268)	(57,582)
Fund balances, beginning of year	<u>1,464,941</u>	<u>238,314</u>
Fund balances, end of year	<u>\$ 1,314,673</u>	<u>\$ 180,732</u>

See notes to financial statements.

**Exhibit E
(Continued)**

Nonmajor	Total
\$ -	\$ -
-	28,710
320,923	320,923
-	(320,923)
<u>320,923</u>	<u>28,710</u>
(62,341)	(270,191)
<u>709,699</u>	<u>2,412,954</u>
<u>\$ 647,358</u>	<u>\$ 2,142,763</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2015**

Change in fund balances - total governmental funds (page 21) \$ (270,191)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 411,058	
Depreciation expense	(617,608)	(206,550)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,009,270

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 6,335

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 436,744

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(12,910)	
Compensated absences	(11,656)	
Pension expense	(253,338)	
Other postemployment benefits	(36,210)	(314,114)

Change in net position of governmental activities (page 17) \$ 661,494

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Exhibit G

STATEMENT OF NET POSITION

Proprietary Funds

June 30, 2015

	<u>Enterprise Funds</u>
Assets	
Current assets:	
Cash	\$ 47,704
Accounts receivable	620
Inventories	5,292
Total current assets	<u>53,616</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>14,508</u>
Total assets	<u>68,124</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>21,108</u>
Liabilities	
Current liabilities:	
Accounts payable	95
Salaries and benefits payable	11,136
Due to other funds	14,896
Unearned revenue	7,429
Total current liabilities	<u>33,556</u>
Noncurrent liabilities:	
Net pension liability	79,039
Net OPEB liability	13,131
Total noncurrent liabilities	<u>92,170</u>
Total liabilities	<u>125,726</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>30,144</u>
Net Position	
Net investment in capital assets	14,508
Unrestricted	<u>(81,146)</u>
Total net position	<u>\$ (66,638)</u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Exhibit H

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION**

Proprietary Funds

Year ended June 30, 2015

	Enterprise Funds
	<u> </u>
Operating revenues:	
Local sources:	
Charges for service	\$ 306,036
	<u> </u>
Operating expenses:	
Support services:	
Operation and maintenance of plant	5,301
	<u> </u>
Non-instructional programs:	
Food service operations:	
Salaries	137,950
Benefits	77,199
Supplies	256,967
Other	7,180
	<u> </u>
Total operating expenses	<u>479,296</u>
	<u> </u>
Operating (loss)	<u>(178,561)</u>
	<u> </u>
Non-operating revenues:	
Interest income	763
State sources	3,703
Federal sources	195,230
Total non-operating revenues	<u>199,696</u>
	<u> </u>
Increase in net position	21,135
	<u> </u>
Net position beginning of year, as restated	(87,773)
	<u> </u>
Net position end of year	<u>\$ (66,638)</u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Exhibit I

**STATEMENT OF CASH FLOWS
Proprietary Funds
Year ended June 30, 2015**

	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 309,590
Cash paid to employees for services	(224,207)
Cash paid to suppliers for goods or services	(235,356)
Net cash (used in) operating activities	<u>(149,973)</u>
Cash flows from non-capital financing activities:	
State grants received	3,703
Federal grants received	166,192
Net cash provided by non-capital financing activities	<u>169,895</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(693)
Net cash (used in) capital and related financing activities	<u>(693)</u>
Cash flows from investing activities:	
Interest on investments	763
Net cash provided by investing activities	<u>763</u>
Net increase in cash	19,992
Cash beginning of year	<u>27,712</u>
Cash end of year	<u>\$ 47,704</u>

(Continued on next page)

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**Exhibit I
(Continued)**

STATEMENT OF CASH FLOWS

**Proprietary Funds
Year ended June 30, 2015**

	Enterprise Funds
	<hr/>
Reconciliation of operating (loss) to net cash (used in) operating activities:	
Operating (loss)	\$ (178,561)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation	2,553
Commodities used	29,038
(Increase) in accounts receivable	(132)
Decrease in inventories	2,471
Increase in accounts payables	30
(Decrease) in salaries and benefits payable	(1,773)
Decrease in due from other governments	2,444
(Decrease) in net pension liability	(25,757)
(Increase) in deferred outflows of resources	(9,462)
Increase in deferred inflows of resources	30,144
Increase in unearned revenue	1,242
(Decrease) in net OPEB liability	(2,210)
	<hr/>
Net cash (used in) operating activities	\$ (149,973)
	<hr/> <hr/>

Non-cash investing, capital and related financial activities:

During the year ended June 30, 2015, the District received \$29,038 of federal commodities.

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Exhibit J

STATEMENT OF FIDUCIARY NET POSITION

Fiduciary Funds

June 30, 2015

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 13,580
Total assets	<u>13,580</u>
Net position	
Reserved for scholarships	<u>\$ 13,580</u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Exhibit K

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Fiduciary Funds

Year Ended June 30, 2015

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 26,400
Total additions	<u>26,400</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>22,924</u>
Change in net position	3,476
Net position, beginning of year	<u>10,104</u>
Net position, end of year	<u>\$ 13,580</u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Interstate 35 Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education and regular pre-kindergarten. The geographic area served includes the Cities of Truro, New Virginia and St. Charles, Iowa and agricultural territory in Madison, Clarke and Warren Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity:

For financial reporting purposes, Interstate 35 Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Madison, Clarke and Warren County Assessor's Conference Boards.

B. Basis of Presentation:

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued):

Government-wide Financial Statements (continued) –

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The District reports the following proprietary funds:

The District's proprietary Funds are the Enterprise, School Nutrition Fund and the Roadrunner Childcare Center Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Roadrunner Childcare Center Fund is used to account for the daycare services previously provided to the community by the District.

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

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting:

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity:

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

Cash and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued):

Capital Assets – Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (in Years)
Buildings	15 - 50
Improvements other than buildings	20 - 25
Furniture and equipment:	5 - 20

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued):

Compensated Absences – District employees accumulate a limited amount of earned by unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year-end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction, support services and non-instructional programs functions.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities: certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, certain registered open-end management investment companies, certain joint investment trusts, and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$505,727 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard and Poor's Financial Services.

Note 3. Due From and Due to Other Funds

The detail of interfund transfers at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 15,000
General	Enterprise, Roadrunner Childcare Center	14,896
		<u>\$ 29,896</u>

Note 4. Interfund Transfers

The detail of interfund transfers at June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 320,923</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 600,734	\$ -	\$ -	\$ 600,734
Construction in progress	1,294,787	196,546	1,491,333	-
Total capital assets not being depreciated	1,895,521	196,546	1,491,333	600,734
Capital assets being depreciated:				
Buildings	15,321,735	1,491,333	-	16,813,068
Improvements other than buildings	739,935	42,958	13,436	769,457
Furniture and equipment	2,886,505	171,554	3,945	3,054,114
Total capital assets being depreciated	18,948,175	1,705,845	17,381	20,636,639
Less accumulated depreciation for:				
Buildings	5,362,889	349,186	-	5,712,075
Improvements other than buildings	402,030	30,444	13,436	419,038
Furniture and equipment	1,860,635	237,978	3,945	2,094,668
Total accumulated depreciation	7,625,554	617,608	17,381	8,225,781
Total capital assets being depreciated, net	11,322,621	1,088,237	-	12,410,858
Governmental activities capital assets, net	\$ 13,218,142	\$ 1,284,783	\$ 1,491,333	\$ 13,011,592
Business-type activities:				
Furniture and equipment	\$ 352,750	\$ 693	\$ -	\$ 353,443
Less accumulated depreciation	336,382	2,553	-	338,935
Business-type activities capital assets, net	\$ 16,368	\$ (1,860)	\$ -	\$ 14,508

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 88,933

Support services:

Administration 15,184

Operation and maintenance of plant 8,452

Transportation 125,409

237,978

Unallocated

379,630

Total depreciation expense - governmental activities

\$ 617,608

Business-type activities:

Food service operations

\$ 2,553

Note 6. Long-term Liabilities

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

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,150,000	\$ -	\$ 450,000	\$ 700,000	\$ 455,000
Revenue bonds	250,000	-	250,000	-	-
Capital loan notes	830,000	-	210,000	620,000	205,000
Capital lease purchase agreement	303,807	-	99,270	204,537	101,255
Early retirement	49,347	44,467	31,557	62,257	36,736
Compensated absences	10,711	22,367	10,711	22,367	22,367
Net pension liability	3,787,894	-	930,940	2,856,954	-
Net OPEB liability	433,659	36,210	-	469,869	-
Total	\$ 6,815,418	\$ 103,044	\$ 1,982,478	\$ 4,935,984	\$ 820,358
Business-type activities:					
Net pension liability	\$ 104,796	\$ -	\$ 25,757	\$ 79,039	\$ -
Net OPEB liability	15,341	-	2,210	13,131	-
	\$ 120,137	\$ -	\$ 27,967	\$ 92,170	\$ -

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-term Liabilities (Continued)

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

June 30,	Rate	Principal	Interest	Total
2016	0.85-1.00%	\$ 455,000	\$ 6,048	\$ 461,048
2017	1.10-1.20%	245,000	2,160	247,160
		<u>\$ 700,000</u>	<u>\$ 8,208</u>	<u>\$ 708,208</u>

Capital Loan Notes

Details of the District's June 30, 2015 capital loan notes indebtedness are as follows:

Year Ending June 30,	Capital loan note issue of June 3, 2013			
	Interest Rate	Principal	Interest	Total
2016	0.55%	\$ 205,000	\$ 4,132	\$ 209,132
2017	0.65%	210,000	3,005	213,005
2018	0.80%	205,000	1,640	206,640
		<u>\$ 620,000</u>	<u>\$ 8,777</u>	<u>\$ 628,777</u>

Capital Lease Purchase Agreement

In September, 2013, the District entered into a capital lease purchase agreement totaling \$409,153 for five buses. The District paid an initial payment of \$105,346 with the balance of \$303,807 to be paid in three annual payments including interest at 2%.

Details of the District's June 30, 2015 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 101,255	\$ 4,091	\$ 105,346
2017	103,282	2,064	105,346
	<u>\$ 204,537</u>	<u>\$ 1,246,155</u>	<u>\$ 228,246</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

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

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

The District’s contributions to IPERS for the year ended June 30, 2015 were \$448,827.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015, the District reports a liability of \$2,935,993 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District’s proportion was 0.074031 percent, which was an increase of 0.006234 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$260,346. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,909	\$ -
Changes of assumptions	129,572	-
Net difference between projected and annual earnings on pension plan investments	-	1,119,703
Changes in proportion and differences between District contributions and proportionate share of contributions	173,771	-
District contributions subsequent to the measurement date	448,827	-
Total	\$ 784,079	\$ 1,119,703

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued): \$448,827 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (201,596)
2017	(201,596)
2018	(201,596)
2019	(201,595)
2020	<u>21,932</u>
Total	\$ <u>(784,451)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 5,547,477	\$ 2,935,993	\$ 731,631

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

Payables to the Pension Plan: At June 30, 2015, the District reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefit (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 112 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with ISEBA. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District’s net OPEB obligation.

Annual required contribution	\$ 76,000
Interest on net OPEB obligation	20,000
Adjustment to annual required contribution	(18,000)
Annual OPEB cost	<u>78,000</u>
Contributions made	(44,000)
Increase in net OPEB obligation	<u>34,000</u>
Net OPEB obligation beginning of year	<u>449,000</u>
Net OPEB obligation end of year	<u><u>\$ 483,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$44,000 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 78,000	60.3%	\$ 419,000
2014	78,000	61.5%	449,000
2015	78,000	56.4%	483,000

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefit (OPEB)

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$635,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$635,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,360,000 and the ratio of the UAAL to covered payroll was 14.6%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the projected unit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table projected to 2015, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Reports as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Valuation Reports as of June 30, 2012.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years. Projected claim costs of the medical plan per month for retirees age 60 are illustrated below for the three plan options.

PPO 550	PPO 750	HMO 500
\$ 669	\$ 634	\$ 603

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$350,609 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

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

Program	Amount
Limited English proficient program	\$ 16,700
Home school assistance program	5,173
At-risk programs	6,275
Gifted and talented programs	18,855
Returning dropouts and dropout prevention programs	57,361
Four-year old preschool state aid	128,250
Beginning teacher mentoring and induction program	611
Teacher salary supplement	23,707
Market factor	1,358
Iowa early intervention block grant	49,210
Child development	2,327
Professional development for model core curriculum	77,987
Professional development	97,717
Market factor incentives	113
STEM grant	2,400
Successful progression for early readers	36,518
Total	\$ 524,562

Note 12. Deficit Fund Balance

At June 30, 2015, the Roadrunner Childcare Center Fund within the Enterprise Funds had a deficit unrestricted net position of \$14,896.

NOTES TO FINANCIAL STATEMENTS

Note 13. Lease Commitments

The District leases office equipment under noncancellable operating lease agreements. The future minimum lease payments by year as of June 30, 2015 follows:

Year Ending June 30,	Amount
2016	\$ 16,834
2017	16,834
2018	16,834
2019	16,834
2020	9,820
	\$ 77,156

Total lease expense for the year ended June 30, 2015 was \$32,782.

Note 14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of FASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources that arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 12,595,377	\$ 5,377
Net pension liability at June 30, 2014	(3,787,894)	(104,796)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	420,946	11,646
Net position July 1, 2014 as restated	\$ 9,228,429	\$ (87,773)

REQUIRED SUPPLEMENTARY INFORMATION

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
Required Supplementary Information
Year ended June 30, 2015**

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 4,651,413	\$ 306,799	\$ 4,958,212
Intermediate sources	-	-	-
State sources	6,301,356	3,703	6,305,059
Federal sources	187,214	195,230	382,444
Total revenues	11,139,983	505,732	11,645,715
Expenditures/Expenses:			
Instruction	6,314,949	-	6,314,949
Support services	3,382,715	5,301	3,388,016
Non-instructional programs	-	472,116	472,116
Other expenditures	1,741,220	7,180	1,748,400
Total expenditures/expenses	11,438,884	484,597	11,923,481
Excess (deficiency) of revenues over (under) expenditures/expenses	(298,901)	21,135	(277,766)
Other financing sources, net	28,710	-	28,710
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(270,191)	21,135	(249,056)
Balance, beginning of year, as restated	2,412,954	(87,773)	2,325,181
Balance, end of year	\$ 2,142,763	\$ (66,638)	\$ 2,076,125

See accompanying independent auditor's report.

Budget		Final to
Original	Final	Actual
		Variance
\$ 6,091,565	\$ 6,091,565	\$ (1,133,353)
15,000	15,000	(15,000)
5,504,416	5,504,416	800,643
355,881	355,881	26,563
<u>11,966,862</u>	<u>11,966,862</u>	<u>(321,147)</u>
6,265,000	6,265,000	(49,949)
3,329,050	3,329,050	(58,966)
450,000	450,000	(22,116)
2,216,051	2,216,051	467,651
<u>12,260,101</u>	<u>12,260,101</u>	<u>336,620</u>
(293,239)	(293,239)	15,473
-	-	28,710
(293,239)	(293,239)	44,183
<u>4,326,983</u>	<u>4,326,983</u>	<u>(2,001,802)</u>
<u>\$ 4,033,744</u>	<u>\$ 4,033,744</u>	<u>\$ (1,957,619)</u>

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, expenditures in the instruction, support services and non-instructional programs functions exceeded the amount budgeted.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

Iowa Public Employees' Retirement System

Last Fiscal Year *

(In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.074031%
District's proportionate share of the net pension liability	\$ 2,936
District's covered-employee payroll	\$ 4,849
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.55%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

Iowa Public Employees' Retirement System

Last Ten Fiscal Years *

(In Thousands)

Required Supplementary Information

	<u>2015</u>	2014	2013	2012
Statutorily required contribution	\$ 448	\$ 433	\$ 385	\$ 341
Contributions in relation to the statutorily required contribution	<u>(448)</u>	<u>(433)</u>	<u>(385)</u>	<u>(341)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 5,018	\$ 4,849	\$ 4,441	\$ 4,226
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

	2011		2010		2009		2008		2007		2006
\$	344	\$	295	\$	265	\$	236	\$	205	\$	200
	(344)		(295)		(265)		(236)		(205)		(200)
	-		-		-		-		-		-
\$	4,950	\$	4,436	\$	4,173	\$	3,901	\$	3,565	\$	3,478
	6.95%		6.65%		6.35%		6.05%		5.75%		5.75%

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY Year ended June 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY (CONTINUED)
Year ended June 30, 2015

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

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

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN**

(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b) %	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2010	July 1, 2009	\$ -	\$ 1,491	\$ 1,491	0.00	\$ 4,103	36.3
2011	July 1, 2009	-	1,491	1,491	0.00	3,894	38.3
2012	July 1, 2009	-	1,491	1,491	0.00	4,373	34.1
2013	July 1, 2012	-	635	635	0.00	4,538	14.0
2014	July 1, 2012	-	635	635	0.00	4,915	12.9
2015	July 1, 2012	-	635	635	0.00	4,360	14.6

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

		Special Revenue Funds	
		Management Levy	Student Activity
Assets			
Cash and pooled investments		\$ 446,152	\$ 130,252
Receivables:			
Property tax:			
Delinquent		6,322	-
Succeeding year		-	-
		<hr/>	<hr/>
Total assets		\$ 452,474	\$ 130,252
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable		\$ -	\$ 2,716
Total liabilities		<hr/>	<hr/>
		-	2,716
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax		-	-
Total deferred inflows of resources		<hr/>	<hr/>
		-	-
Fund balances:			
Restricted for:			
Management levy purposes		452,474	-
Student activities		-	127,536
Debt services		-	-
Total fund balances		<hr/>	<hr/>
		452,474	127,536
Total liabilities, deferred inflows of resources and fund balances		<hr/>	<hr/>
		\$ 452,474	\$ 130,252

See accompanying independent auditor's report.

Schedule 1

Debt Service	Total
\$ 60,867	\$ 637,271
6,481	12,803
<u>461,548</u>	<u>461,548</u>
<u>\$ 528,896</u>	<u>\$ 1,111,622</u>

\$ -	\$ 2,716
<u>-</u>	<u>2,716</u>

461,548	461,548
<u>461,548</u>	<u>461,548</u>

-	452,474
-	127,536
67,348	67,348
<u>67,348</u>	<u>647,358</u>

<u>\$ 528,896</u>	<u>\$ 1,111,622</u>
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INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds**

Year ended June 30, 2015

	Special Revenue	
	Management Levy	Student Activity
Revenues:		
Local sources:		
Local tax	\$ 450,111	\$ -
Other	21,010	289,442
State sources	1,493	-
Total revenues	472,614	289,442
Expenditures:		
Current:		
Instruction:		
Regular	15,714	-
Other	-	312,711
Support services:		
Administration	230,592	-
Transportation	11,594	-
	257,900	312,711
Other expenditures:		
Long-term debt:		
Principal	-	-
Interest and fiscal charges	-	-
	-	-
Total expenditures	257,900	312,711
Excess (deficiency) of revenues over (under) expenditures	214,714	(23,269)
Other financing sources:		
Transfers in	-	-
Total other financing sources	-	-
Change in fund balances	214,714	(23,269)
Fund balances beginning of year	237,760	150,805
Fund balances end of year	\$ 452,474	\$ 127,536

See accompanying independent auditor's report.

Schedule 2

Debt Service	Total
\$ 461,418	\$ 911,529
10	310,462
1,404	2,897
<u>462,832</u>	<u>1,224,888</u>
-	15,714
	312,711
-	230,592
-	11,594
<u>-</u>	<u>570,611</u>
1,009,270	1,009,270
28,271	28,271
<u>1,037,541</u>	<u>1,037,541</u>
<u>1,037,541</u>	<u>1,608,152</u>
(574,709)	(383,264)
320,923	320,923
<u>320,923</u>	<u>320,923</u>
(253,786)	(62,341)
321,134	709,699
<u>\$ 67,348</u>	<u>\$ 647,358</u>

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Speech	\$ -	\$ 3,159	\$ 3,159	\$ -
High School Vocal	3,436	2,794	2,553	3,677
High School Band	8,204	8,782	12,128	4,858
Co-ed Athletic Gates	2,366	46,680	43,715	5,331
Cross Country	1,532	812	999	1,345
High School Cheerleaders	3,318	5,315	4,763	3,870
Dance Team	7,514	5,583	5,335	7,762
Boys Basketball	2,031	2,045	3,088	988
Football	15,060	7,653	18,380	4,333
Baseball	1,071	3,104	3,426	749
Boys Track	1,646	2,386	2,125	1,907
Wrestling	5,780	4,556	6,906	3,430
Girls Basketball	5,123	4,885	7,442	2,566
Volleyball	2,393	2,666	2,255	2,804
Softball	1,072	1,820	1,760	1,132
Girls Track	3,772	1,981	1,862	3,891
High School General Athletics	1,748	5,981	5,617	2,112
Junior High Athletics	1,774	5,761	5,669	1,866
Knowledge Bowl	644	7,248	7,826	66
Concessions	20,465	105,329	108,965	16,829
AED Grant	87	-	-	87
Athletic Complex	88	-	-	88
Interest	-	4	-	4
Uniform Fund	6,000	-	1,506	4,494
TAG Activity Fund Balance	480	-	358	122
Honor Society	-	1,101	1,101	-
High School Student Council	7,039	14,007	16,158	4,888
FFA	11,511	25,881	24,599	12,793
High School Book Club	1,136	-	228	908
Senior Breakfast	117	100	120	97
Math and Science Club	86	1,981	1,465	602
Spanish Club	-	3,072	3,012	60
Middle School Band	2,039	117	-	2,156
Vocal Enry Fees	108	-	-	108

(Continued on next page)

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Schedule 3
(Continued)

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
7th and 8th Grade Vocal	\$ 1,928	\$ 102	\$ -	\$ 2,030
Elementary Vocal	1,677	239	56	1,860
Class of 2018	22	460	-	482
Class of 2019	383	-	-	383
Class of 2013	1,135	-	-	1,135
Class of 2014	527	-	206	321
Class of 2015	1,477	32	369	1,140
Class of 2016	1,164	2,503	1,664	2,003
Class of 2017	360	400	150	610
Scholarship Memorial	1,525	-	-	1,525
High School Fundraising	843	2,236	2,911	168
Steength and Agility	12	-	-	12
Preschool	758	-	-	758
Elementary Classes	3,201	2,654	2,507	3,348
Middle School Classes	5,400	-	-	5,400
Junior High Student Council	10,367	3,310	4,602	9,075
Wrestling Cheerleading	2,386	2,703	3,726	1,363
Total	\$ 150,805	\$ 289,442	\$ 312,711	\$ 127,536

See accompanying independent auditor's report.

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,251	\$ 80,952	\$ 82,203
Receivables:			
Property tax:			
Delinquent	-	4,741	4,741
Succeeding year	-	264,797	264,797
Due from other governments	130,385	-	130,385
Total assets	\$ 131,636	\$ 350,490	\$ 482,126
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 19,350	\$ 2,247	\$ 21,597
Due to other funds	15,000	-	15,000
Total liabilities	34,350	2,247	36,597
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	264,797	264,797
Total deferred inflows of resources	-	264,797	264,797
Fund balances:			
Restricted for:			
School infrastructure	97,286	-	97,286
Physical plant and equipment	-	83,446	83,446
Total fund balances	97,286	83,446	180,732
Total liabilities, deferred inflows of resources and fund balances	\$ 131,636	\$ 350,490	\$ 482,126

See accompanying independent auditor's report.

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts**

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 348,824	\$ 348,824
Other	526	-	526
State sources	827,582	1,234	828,816
Total revenues	828,108	350,058	1,178,166
Expenditures:			
Current:			
Instruction:			
Regular instruction	4,338	-	4,338
Support services:			
Instructional staff	370,540	-	370,540
Operation and maintenance of plant	132	109,145	109,277
Student transportation	-	82,605	82,605
Other expenditures:			
Facilities acquisition	290,692	62,378	353,070
Total expenditures	665,702	254,128	919,830
Excess of revenues over expenditures	162,406	95,930	258,336
Other financing sources (uses):			
Transfers out	(105,346)	(215,577)	(320,923)
Proceeds from the disposal of personal property	-	5,005	5,005
Total other financing (uses)	(105,346)	(210,572)	(315,918)
Change in fund balances	57,060	(114,642)	(57,582)
Fund balances beginning of year	40,226	198,088	238,314
Fund balances end of year	\$ 97,286	\$ 83,446	\$ 180,732

See accompanying independent auditor's report.

Combining Schedule of Fund Net Position
Enterprise Funds

June 30, 2015

	School Nutrition	Roadrunner Childcare Center	Total
Assets			
Current assets:			
Cash	\$ 47,704	\$ -	\$ 47,704
Accounts receivable	620	-	620
Inventories	5,292	-	5,292
Total current assets	53,616	-	53,616
Noncurrent assets:			
Capital assets, net of accumulated depreciation	14,508	-	14,508
Total assets	68,124	-	68,124
Deferred Outflows of Resources:			
Pension related deferred outflows	21,108	-	21,108
Liabilities			
Current liabilities:			
Accounts payable	95	-	95
Salary and benefits payable	11,136	-	11,136
Due to other funds	-	14,896	14,896
Unearned revenue	7,429	-	7,429
Total current liabilities	18,660	14,896	33,556
Noncurrent liabilities:			
Net pension liability	79,039	-	79,039
Net OPEB liability	13,131	-	13,131
Total current liabilities	92,170	-	92,170
Total liabilities	110,830	14,896	125,726
Deferred Inflows of Resources:			
Pension related deferred inflows	30,144	-	30,144
Net investment in capital assets	14,508	-	14,508
Unrestricted	(66,250)	(14,896)	(81,146)
Total fund net position	\$ (51,742)	\$ (14,896)	\$ (66,638)

See accompanying independent auditor's report.

**Combining Schedule of Revenues, Expenditures and
Changes in Fund Net Position
Enterprise Funds**

Year ended June 30, 2015

	School Nutrition	Roadrunner Childcare Center	Total
Operating revenues:			
Local sources:			
Charge for services	\$ 306,036	\$ -	\$ 306,036
Total revenues	306,036	-	306,036
Operating expenses:			
Support services:			
Operation and maintenance of plant	5,301	-	5,301
Non-instructional programs	479,296	-	479,296
Total operating expenses	484,597	-	484,597
Operating (loss)	(178,561)	-	(178,561)
Non-operating revenue:			
Interest income	763	-	763
State source	3,703	-	3,703
Federal sources	195,230	-	195,230
Total non-operating revenues	199,696	-	199,696
Change in fund net position	21,135	-	21,135
Fund net position, beginning of year, restated	(72,877)	(14,896)	(87,773)
Fund net position, end of year	\$ (51,742)	\$ (14,896)	\$ (66,638)

See accompanying independent auditor's report.

Combining Schedule of Cash Flows
Enterprise Funds

Year ended June 30, 2015

	School Nutrition	Roadrunner Childcare Center	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 309,590	\$ -	\$ 309,590
Cash payments to employees for services	(224,207)	-	(224,207)
Cash payments to suppliers for goods and services	(235,356)	-	(235,356)
Net cash (used by) operating activities	(149,973)	-	(149,973)
Cash flows from non-capital financing activities:			
State grants received	3,703	-	3,703
Federal grants received	166,192	-	166,192
Net cash provided by non-capital financial activities	169,895	-	169,895
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(693)	-	(693)
Net cash (used by) capital and related financing activities	(693)	-	(693)
Cash flows from investing activities:			
Interest on investments	763	-	763
Net cash provided by investing activities	763	-	763
Net increase in cash	19,992	-	19,992
Cash, beginning of year	27,712	-	27,712
Cash, end of year	\$ 47,704	\$ -	\$ 47,704

(Continued on next page)

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Schedule 8
(Continued)

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2015

	School Nutrition	Roadrunner Childcare Center	Total
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ (178,561)	\$ -	\$ (178,561)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation	2,553	-	2,553
Commodities used	29,038	-	29,038
(Increase) in accounts receivable	(132)	-	(132)
Decrease in inventories	2,471	-	2,471
Increase in accounts payables	30	-	30
(Decrease) in salaries and benefits payable	(1,773)	-	(1,773)
Decrease in due from other governments	2,444	-	2,444
(Decrease) in net pension liability	(25,757)	-	(25,757)
(Increase) in deferred outflows of resources	(9,462)	-	(9,462)
Increase in deferred inflows of resources	30,144	-	30,144
Increase in unearned revenue	1,242	-	1,242
(Decrease) in net OPEB liability	(2,210)	-	(2,210)
Net cash used by operating activities	\$ (149,973)	\$ -	\$ (149,973)

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds**

For the Last Ten Years

	2015	2014	2013	2012
Revenues:				
Local sources:				
Local tax	\$ 3,714,225	\$ 3,773,533	\$ 4,397,340	\$ 4,190,206
Tuition	459,696	486,736	469,523	376,761
Other	477,492	313,897	353,498	380,561
Intermediate sources	-	-	-	-
State sources	6,301,356	6,287,829	5,162,093	5,037,781
Federal sources	187,214	216,024	228,655	323,488
Total revenues	\$ 11,139,983	\$ 11,078,019	\$ 10,611,109	\$ 10,308,797
Expenditures:				
Instruction	\$ 6,314,949	\$ 6,236,546	\$ 5,720,492	\$ 5,438,875
Support services:				
Student	250,131	256,959	240,746	227,848
Instructional staff	590,128	352,061	337,479	362,936
Administration	1,228,257	1,147,763	1,080,367	1,092,208
Operation and maintenance				
of plant	681,923	580,869	618,882	601,767
Transportation	632,276	1,013,391	655,178	592,832
Non-instructional programs	1,362,280	6,379	1,632	612
Other expenditures:				
Facilities acquisition	353,070	1,297,132	243,407	74,323
Long-term debt:				
Principal	1,009,270	890,000	2,140,000	3,156,073
Interest and other charges	28,271	33,304	106,911	240,899
AEA flow through	350,609	343,798	323,018	309,745
Total expenditures	\$ 12,801,164	\$ 12,158,202	\$ 11,468,112	\$ 12,098,118

See accompanying independent auditor's report.

Schedule 9

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
\$ 3,993,720	\$ 3,713,350	\$ 3,689,949	\$ 3,326,721	\$ 3,296,822	\$ 3,033,229
377,762	409,448	430,322	355,098	322,459	283,603
325,713	405,991	428,611	443,370	500,273	458,751
353	1,995	20,671	673	9,691	3,663
4,636,905	3,989,444	4,735,246	4,752,359	4,453,988	3,711,595
270,037	628,378	433,239	635,610	169,225	172,332
\$ 9,604,490	\$ 9,148,606	\$ 9,738,038	\$ 9,513,831	\$ 8,752,458	\$ 7,663,173
\$ 5,270,885	\$ 5,327,859	\$ 5,719,591	\$ 5,211,380	\$ 4,874,895	\$ 4,150,579
170,644	166,748	136,504	133,351	124,138	170,046
436,885	318,651	190,381	79,919	55,002	48,296
958,645	968,134	928,888	838,959	860,317	872,124
577,505	657,582	753,379	644,583	639,872	658,572
519,369	715,343	519,824	507,750	465,040	447,807
8,190	-	-	-	-	-
334,101	558,685	2,639,674	537,325	51,501	52,552
833,311	770,000	555,000	385,000	375,000	365,000
216,501	242,153	245,357	158,623	169,947	180,522
335,812	331,913	309,836	300,529	282,513	233,707
\$ 9,661,848	\$ 10,057,068	\$ 11,998,434	\$ 8,797,419	\$ 7,898,225	\$ 7,179,205



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

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

To the Board of Education of
Interstate 35 Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Interstate 35 Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Interstate 35 Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Interstate 35 Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Interstate 35 Community School District's internal control.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Interstate 35 Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Interstate 35 Community School District's Responses to Findings

Interstate 35 Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Interstate 35 Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Schnur & Company, LLP

Fort Dodge, Iowa
January 25, 2016

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

Part I: Summary of Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

II-A-15 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation – We realized that with a limited number of office employees segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response – The District will continue to review and implement additional controls where possible.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2015

Part III: Other Findings Related To Required Statutory Reporting:

III-A-15 Certified Budget: Expenditures for the year ended June 30, 2015 exceeded the amended certified budget amount in the instruction, support services, and non-instructional program functions.

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

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

III-B-15 Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-15 Travel Expense: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-15 Business Transactions: No business transactions between the District and District officials or employees were noted.

III-E-15 Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-15 Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

III-G-15 Certified Enrollment: No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

III-H-15 Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

III-I-15 Deposits and Investments: We noted an instance of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa.

Recommendation – Chapter 12C of the Code of Iowa requires the depository resolution not only list the depository, but also specify the maximum amount that may be kept on deposit in each depository. The Board needs to adopt a depository resolutions meeting both requests.

Response – The Board will adopt a new resolution.

Conclusion – Response accepted.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2015

Part III: Other Findings Related To Required Statutory Reporting (Continued):

- III-J-15 Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.
- III-K-15 Categorical Funding: No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- III-L-15 Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	40,226
Revenues/transfers in:		
Interest	\$	526
Statewide sales, services and use tax		827,582
		828,108
Debt Service Fund		
Expenditures/transfers out:		
School infrastructure construction		290,692
Equipment		375,010
Transfers to other funds:		
Debt service fund		105,346
		771,048
Ending balance		\$ 97,286

For the year ended

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

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2015

Part III: Other Findings Related To Required Statutory Reporting (Continued):

III-M-15 Financial Condition: At June 30, 2015, the Enterprise, Roadrunner Childcare Center Fund had a deficit unrestricted net position of \$14,896.

Recommendation – The District should close the fund to eliminate the deficit since the program has been discontinued.

Response – The Roadrunner Childcare Center Fund was discontinued in fiscal year 2010, after the fund’s inability to produce enough cash flow to meet its expenditures. The District will carry the deficit balance forward unless a transfer is approved by the SBRC from another fund to eliminate the deficit.

Conclusion – Response accepted.

III-N-15 Student Activity Fund: During our audit, issues arose about the appropriateness of certain accounts, receipts, and expenditures in the Special Revenue, Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District’s educational program. We noted that Booster Club non-cocurricular revenues and expenditures were still recorded in the Student Activity Fund. We also noted an activity that has dissolved, which still had unspent funds.

Recommendation – The Booster Club should account for their own transactions or the District should set up an Agency Fund for the Booster Club transactions. In addition, dissolved activities should have their excess funds disbursed to support other student activities.

Response – We will set up and record the Booster Club transactions in an Agency Fund. We will reallocate dissolved activity funds to other activities.

Conclusion – Response accepted.