

IOWA ASSOCIATION OF SCHOOL BOARDS
CONSOLIDATED FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

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Brent L. Alexander, CPA, Shareholder

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Iowa Association of School Boards
Des Moines, Iowa

We have audited the accompanying consolidated financial statements of the Iowa Association of School Boards (the Association) and its controlled entities, which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Iowa Association of School Boards and its controlled entities as of June 30, 2015, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Association's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 22, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Brooks & Adams, P.C.

West Des Moines, Iowa
October 21, 2015

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2015

With Comparative Totals for 2014

ASSETS	2015 Consolidated Totals	2014 Comparative Totals
	Totals	Totals
Cash and cash equivalents	\$ 3,135,043	\$ 3,564,109
Assets held on behalf of others in an agency capacity:		
Cash - Iowa Schools Joint Investment Trust	1,000,809	1,900,031
Accrued interest receivable	610,517	1,430,500
Certificates of deposit	735,000	980,000
Repurchase agreements	30,747,000	4,000
Commercial paper	36,965,729	39,984,167
U.S. government agency obligations	331,279,506	372,383,431
Accounts receivable, net of allowance 2015 and 2014: \$82,611	115,815	124,617
Office property and equipment, net	134,710	3,130,800
Prepaid expenses	24,157	35,856
	\$ 404,748,286	\$ 423,537,511
LIABILITIES		
Accounts payable	\$ 67,948	\$ 117,529
Deferred revenue	408,551	351,251
Interest rate swap	-	120,325
Accrued wages	39,929	36,000
Accrued vacation	12,395	11,520
Accrued interest	-	1,278
Accrued property taxes	-	67,136
	\$ 528,823	\$ 705,039
Agency fund - held in trust for participants in ISJIT	\$ 400,430,917	\$ 415,746,888
Accrued pension benefit liability	\$ 265,192	\$ 950,978
Mortgage payable	\$ -	\$ 1,018,310
Total liabilities	\$ 401,224,932	\$ 418,421,215
NET ASSETS		
Unrestricted	\$ 3,523,354	\$ 5,116,296
Total net assets	\$ 3,523,354	\$ 5,116,296
Total liabilities and net assets	\$ 404,748,286	\$ 423,537,511

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

With Comparative Totals for 2014

	2015 Consolidated Totals	2014 Comparative Totals
REVENUES		
Memberships	\$ 1,293,750	\$ 1,250,387
Publications, forms and materials	180,602	178,285
Convention and conferences	633,509	677,039
Consulting services	60,547	74,350
Program endorsed services	682,848	-
Administrative services	-	1,151,225
PaySchools earn-out fees	-	862,750
Sponsorships	506,341	242,589
Risk management and insurance program	376,880	401,562
Grants	-	29,988
Rental income	55,262	99,638
	<hr/>	<hr/>
Total revenues	\$ 3,789,739	\$ 4,967,813
EXPENSES		
Salaries	\$ 1,395,813	\$ 1,230,464
Payroll taxes	110,651	98,052
Retirement benefits	57,228	27,651
Benefit costs	23,726	24,506
Staff insurance	159,216	142,012
Program management	231,257	178,688
Staff development	15,557	7,671
Marketing	77,762	94,700
Travel	95,543	125,988
Building operations	259,667	229,364
Equipment and computers	202,961	253,200
Depreciation and amortization	61,085	91,599
Office supplies	20,461	30,216
Cartage and postage	16,382	13,962
Telephone	19,378	12,770
Investment advisory fees	72,208	81,171
Professional fees	981,177	1,158,066
Sponsorship fees	13,080	53,992
Printing	40,026	42,608
Reference materials	6,724	2,790
Dues	93,397	89,824
Conventions and conferences	234,255	236,067
Interest	47,596	96,787
Web hosting, registration and internet	29,139	53,073
Contributions	-	24,988
Miscellaneous	36,638	12,491
Bad debt expense	25	400
Program banking fees	11,720	11,573
	<hr/>	<hr/>
Total expenses	\$ 4,312,672	\$ 4,424,673

(Continued)

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

With Comparative Totals for 2014

	<u>2015</u>	<u>2014</u>
	<u>Consolidated</u>	<u>Comparative</u>
	<u>Totals</u>	<u>Totals</u>
OTHER REVENUE (EXPENSE)		
Interest income	\$ 5,691	\$ 3,454
Other income	153,342	97,666
Investment income	490,458	485,013
Dividends issued to participants in ISJIT	(20,341)	(22,220)
Change in value of interest rate swap	29,375	59,228
Change in accrued pension liability	(142,867)	(150,743)
Loss on the sale of fixed assets	(1,585,667)	-
	<hr/>	<hr/>
Total other revenue (expense)	\$ (1,070,009)	\$ 472,398
	<hr/>	<hr/>
Change in net assets	\$ (1,592,942)	\$ 1,015,538
	<hr/>	<hr/>
Net assets at beginning of year	5,116,296	4,100,758
	<hr/>	<hr/>
Net assets at end of year	<u>\$ 3,523,354</u>	<u>\$ 5,116,296</u>

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

With Comparative Totals for 2014

	<u>2015</u> <u>Consolidated</u> <u>Totals</u>	<u>2014</u> <u>Comparative</u> <u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,592,942)	\$ 1,015,538
Adjustments to reconcile the change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	61,085	91,599
Swap liability	(29,375)	(59,228)
Loss on the sale of fixed assets	1,585,667	-
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	8,802	171,203
Other assets	11,699	105,071
(Decrease) increase in liabilities:		
Accounts payable	(49,581)	6,529
Accrued property taxes	(67,136)	(3,534)
Accrued interest	(1,278)	(66)
Accrued wages	3,929	(36,000)
Accrued vacation	875	(12,860)
Accrued pension liability	(685,786)	106,827
Deferred revenue	57,300	(114,000)
Net cash (used in) provided by operating activities	<u>\$ (696,741)</u>	<u>\$ 1,271,079</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$ (57,513)	\$ (266,645)
Proceeds from the sale of fixed assets	1,406,851	-
Net cash provided by (used in) investing activities	<u>\$ 1,349,338</u>	<u>\$ (266,645)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of units to ISCAP	\$ 27,597	\$ (14,220)
Principal payments on interest rate swap	(90,950)	-
Principal payments on notes payable	(1,018,310)	(31,970)
Net cash (used in) financing activities	<u>\$ (1,081,663)</u>	<u>\$ (46,190)</u>
Net (decrease) increase in cash and cash equivalents	\$ (429,066)	\$ 958,244
Cash and cash equivalents at beginning of year	<u>3,564,109</u>	<u>2,605,865</u>
Cash and cash equivalents at end of year	<u>\$ 3,135,043</u>	<u>\$ 3,564,109</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 48,874</u>	<u>\$ 128,285</u>

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Organization, Reporting Entity, and Significant Accounting Policies

Principles of consolidation:

The consolidated financial statements include the accounts of the Iowa Association of School Boards (the Association) and its wholly-owned subsidiary, Local Government Services, Inc. (LGS), along with the accounts of the Iowa Schools Joint Investment Trust (ISJIT), Iowa Association of School Boards Foundation (ISBF) and Iowa Schools Cash Anticipation Program (ISCAP). The accounts of ISJIT, ISBF, and ISCAP are included in the consolidated financial statements as the majority of the boards of directors of these organizations are appointed by the board of directors of the Association, and the Association has an economic interest in these organizations. All material inter-company accounts and transactions are eliminated in consolidation.

Nature of organization:

The Association is a nonprofit organization operating to develop, strengthen, and correlate the work of the school boards of the public schools in their efforts to promote the educational interests of the state of Iowa and to provide such services as will enhance these purposes. Services offered to members by the Association include publications/information, research, consulting, school board development and conferences, advocacy and representation, cash management, and risk management.

LGS was a for-profit, wholly-owned subsidiary of the Association. LGS operated in a support capacity for the Association, which included technology, infrastructure, and office operations. LGS also sought to create aggregation opportunities for members of the Association and other educational and government institutions in Iowa and operated the Association's endorsed programs. LGS was run for the benefit of the members of the Association, and all net revenue returned to the Association was invested into member services. LGS was dissolved effective June 30, 2015.

ISJIT was formed under a joint and cooperative undertaking under the provision of Chapter 28E, Code of Iowa. ISJIT is exempt from federal and state income taxes under Internal Revenue Code Section 115. The organization was formed to allow Iowa schools to invest monies pursuant to a joint investment agreement.

ISBF is a separate organization formed under 501(c)(3) of the Internal Revenue Code and is subject to federal income taxes only on any unrelated business income under the Internal Revenue Code. ISBF was formed to serve the educational needs of Iowa public school boards.

During the year ended June 30, 2011, the Board of Directors of the Foundation decided to suspend operation of the Foundation. The Board of Directors of the Foundation will remain intact but be placed on "inactive status." There was no activity for the Foundation during the year ended June 30, 2015.

ISCAP was formed under a joint and cooperative undertaking under the provision of Chapter 28E, Code of Iowa. ISCAP is exempt from federal and state income taxes under Internal Revenue Code Section 115. The organization was organized to provide a method of funding general fund deficits for school corporations participating in the ISCAP program. The Administrative Fund of the ISCAP program collects fees to cover expenses for the administration of the program.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Organization, Reporting Entity, and Significant Accounting Policies (*Continued*)

Nature of organization: (*Continued*)

Other related parties:

Iowa Schools Employee Benefit Association (ISEBA) was formed under a joint and cooperative undertaking under the provision of Chapter 28E, Code of Iowa to provide insurance to school employees. ISEBA currently offers medical, prescription drug, vision, and dental insurance coverage to members. ISEBA is considered a related party to the Association through common board members and management. ISEBA is not considered to be part of the reporting entity as the Association does not have a majority of the voting interest in ISEBA. The ISEBA Board consists of three Board members appointed by the Association, three Board members appointed by the Iowa State Education Association (ISEA), one superintendent, one teacher, and one business manager or board secretary, each of which is appointed jointly by the Association and the ISEA.

A summary of the organization's significant accounting policies is as follows:

Classification of net assets:

Unrestricted – assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The Association's governing board may earmark portions of its unrestricted net assets as board-designated for various purposes.

Temporarily restricted – assets resulting from contributions and other inflows of assets whose use by the Association is limited to donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Association meeting the purpose of the restriction. The Association currently has no such assets.

Permanently restricted – assets resulting from contributions which are permanently restricted by donors. Although such assets may not be expended, the investment income earned on them is generally to be expended for a specific purpose. The Association currently has no such assets.

Use of accounting estimates and assumptions:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

The Association considers all unrestricted deposits, savings and money market accounts to be cash equivalents.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Organization, Reporting Entity, and Significant Accounting Policies (Continued)

A summary of the organization's significant accounting policies is as follows: (Continued)

Assets held on behalf of others (Agency Funds):

The Association has presented on its statement of financial position certain assets designated as "Assets held on behalf of others in an agency capacity." These assets represent assets being held on behalf of school corporations participating in ISJIT, which includes cash equivalents (demand deposits and repurchase agreements), U.S. government agency obligations, certificates of deposit, and commercial paper. These assets are designated for the use and purpose of these school corporations and cannot be used in the operations of the Association. Activity within these assets is netted for purposes of cash flow disclosure due to the agency capacity in which they are held. Income earned on the pooled investments is allocated to the respective participants.

Accounts receivable:

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and regularly evaluating individual customer receivables, considering a customer's financial condition and credit history. Accounts are considered past due 30 days past invoice date. Interest is not normally charged on past due accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Promises to give:

Contributions, which are defined as unconditional transfers of cash or other assets including unconditional promises to give those items in the future, are measured at fair value on the date received and recognized as revenue. The imposition of restrictions on how a contribution is to be used does not delay recognition. However, the recognition of conditional gifts is delayed until the conditions are met.

The Association distinguishes between contributions received with temporary restrictions and those without donor-imposed restrictions. Contributions with donor-imposed restrictions are reported as restricted support. Receipts of unconditional promises to give with payments due in future periods are reported as restricted support unless it is clear that the donor intended the gift to be used to support activities in the current period. Gifts of long-lived assets received without donor-imposed restrictions are considered unrestricted support. The Association currently has no such contributions.

Repurchase agreements:

ISJIT's investment policy allows the organization to enter into collateralized perfected repurchase agreements secured by the U.S. government or U.S. government agency obligations. A repurchase agreement involves the sale of such securities to ISJIT with the concurrent agreement of the seller to repurchase them at a specified time and price to yield an agreed-upon rate of interest. The securities collateralizing the agreement are held by the custodian and regularly verified and maintained daily in an amount equal to at least 102% of the agreements. At June 30, 2015, the securities purchased under overnight agreements to resell were collateralized by government and government agency securities in the name of ISJIT with market values of \$31,137,333, held in an agency capacity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Organization, Reporting Entity, and Significant Accounting Policies *(Continued)*

A summary of the organization's significant accounting policies: *(Continued)*

Fair value of financial instruments:

Investments in certificates of deposit, U.S. government agency obligations, U.S. treasury bills and commercial paper (including those held in an agency capacity) are recorded at amortized cost which approximates the fair value of the financial instruments based upon quoted market prices.

Property and equipment:

All acquisitions and betterments of property and equipment in excess of \$3,000 for each item for computer hardware and software and \$1,500 for each item of other classes of property and equipment are capitalized. Property and equipment are carried at cost. Depreciation and amortization on property and equipment is provided using the straight-line method over estimated lives ranging from 3 to 39 years. Maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

Deferred revenue:

The Association records membership and other fees received in advance as deferred revenue. These amounts are recognized as revenue during the period in which they are earned.

Compensated absences:

Employees of the Association are entitled to paid vacations, depending on the job classification, length of service, and other factors. A financial statement element called "accrued vacation" is recorded as a liability in the consolidated statement of financial position to account for this benefit.

Derivative instruments and hedging activities:

The Association accounts for derivatives and hedging activities in accordance with authoritative guidance issued by the Financial Accounting Standards Board (FASB), which requires that all derivative instruments be recorded in the statement of financial position at fair value. During the year ended June 30, 2015, the Association paid the balance of the interest rate swap which was its only derivative and hedging activity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Organization, Reporting Entity, and Significant Accounting Policies (*Continued*)

A summary of the organization's significant accounting policies: (*Continued*)

Program services of the organization are as follows:

Advocacy services, which includes government relations, personnel and labor relations, school finance and other advocacy programs.

Governance and leadership services, which includes board and leadership development, executive search, board policy, and other governance and leadership programs, including Lighthouse training.

Convention and conferences, which includes the Association's annual convention and other statewide or locally-held conferences organized by the Association.

Investment services, which includes ISJIT and other investment programs.

Administrative services, which includes ISCAP and other programs requiring administrative services.

Other Programs, which includes employee background check program, the Iowa Drug & Alcohol Testing Program (IDATP), I-Growth, and other assessment programs.

Income taxes:

The reporting entity is comprised of nonprofit, for-profit, and governmental corporations as noted above and is exempt from federal and state taxes on related income. The reporting entity is, however, subject to federal and state income taxes on any net unrelated business income under the provisions of Section 511 of the Code. LGS, the wholly-owned for-profit subsidiary of the Association, was dissolved effective June 30, 2015 and was subject to federal and state income taxes through that date.

Management believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. Any interest and penalty payments would be recorded in separate accounts in the operating expenses. The Association's remaining open years subject to examination include the years ended June 30, 2012 through 2015.

Note 2. Significant Estimates

Pension plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimates and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Concentrations

The Association maintains cash on deposit in interest-bearing transaction accounts and routinely has amounts on deposit at financial institutions in excess of the FDIC insurable limit. The Association has not experienced any losses as a result of this.

Note 4. Property and Equipment

At June 30, 2015 the cost and accumulated depreciation of property and equipment were as follows:

Office equipment	\$	131,617
Computer equipment		142,088
Computer software		213,339
	\$	<u>487,044</u>
Less accumulated depreciation and amortization		352,334
	\$	<u><u>134,710</u></u>

Note 5. Agency Funds

Agency fund activity for the year ended June 30, 2015 was as follows:

		<u>ISJIT</u>
Balance at beginning of year	\$	415,746,888
Revenue:		
Units sold		1,450,220,093
Units redeemed		(1,464,648,761)
Dividends issued		20,341
Eliminations		(907,644)
Balance at end of year	\$	<u><u>400,430,917</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Retirement Plans

Pension Plan:

The Association sponsors a defined benefit pension plan (the Plan) covering substantially all of its employees. Benefits under the Plan were based on an employee's years of service and compensation during the years immediately preceding retirement. The Plan's assets include equity, debt, and real estate pooled separate accounts. The Association's policy is to fund pension cost accrued.

The following table summarized the benefit obligations, the fair value of Plan assets, and the funded status for the year ended June 30, 2015:

Fair value of plan assets at beginning of period	\$ 2,702,173
Actual return of plan assets	(258)
Employer contributions	828,653
Benefits paid	(153,336)
Fair value of plan assets at end of period	<u>\$ 3,377,232</u>
Benefit obligation at beginning of period	\$ 3,653,151
Interest cost	143,126
Actuarial (gain)	(517)
Benefits paid	(153,336)
Projected/accumulated benefit obligation at end of period	<u>\$ 3,642,424</u>
Plan assets in deficit of projected/accumulated benefit obligation	<u>\$ (265,192)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Retirement Plans *(Continued)*

Pension Plan: *(Continued)*

Changes to unrestricted net assets are as follows:

Plan assets in deficit of projected/accumulated benefit obligation at June 30, 2014	\$	950,978
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Change in accrued pension liability shown in the statement of activities:

Components of net periodic benefit cost:

Interest cost	\$	143,126	
Expected return of plan assets		(137,792)	
Amortization of net loss		41,311	
Net periodic benefit cost	\$	46,645	

Other changes:

Net loss	\$	137,533	
Amortization of net (loss)		(41,311)	
Total other changes	\$	96,222	
Total change	\$	142,867	142,867

Employer contributions		(828,653)
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Plan assets in deficit of projected/accumulated benefit obligation at June 30, 2015	\$	265,192
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Plan assets allocations were comprised of the following investment classifications at June 30, 2015:

Equity securities	16.9	%
Fixed income securities	79.5	
Other securities	3.6	
	100.0	%

The Association's investment objective with respect to the pension plan is to produce sufficient current income and capital growth through a portfolio of equity and fixed income investments that, together with appropriate employer contributions, is sufficient to provide for the pension benefit obligations. Pension assets are managed by outside investment managers in accordance with the investment policies and guidelines established by the pension trustees, and are diversified by investment style, asset category, sector, industry, issuer, and maturity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Retirement Plans *(Continued)*

Pension Plan: *(Continued)*

The expected long-term return on plan assets was based upon historical and future expected returns of multiple asset classes that were analyzed to develop a risk-free real rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk-free real rate of return, and the associated risk premium. A weighted average rate was developed based on those overall rates and the target asset allocation.

The following are actuarial assumptions used by the Plan to develop the projected benefit obligations for the period ended June 30, 2015:

Discount rate	4.35%
Expected long-term rate of return on plan assets	6.00%

The benefits expected to be paid in each year from 2016 to 2020 are \$330,000, \$570,000, \$160,000, \$230,000, and \$230,000, respectively. The aggregate benefits expected to be paid in the five years from 2021 to 2025 are \$2,030,000. The expected benefits to be paid are based on the same assumptions used to measure the Association's benefit obligation at June 30, 2015 and include estimated employee service. The Association expects to make no additional contributions during the upcoming year.

Amounts in unrestricted net assets expected to be recognized as components of net periodic benefit cost over the next fiscal year are as follows:

Interest cost:	
On \$3,642,424 projected benefit obligation	\$ 158,445
Adjustment for expected benefit distributions of \$330,000	<u>(7,177)</u>
Interest cost	<u>\$ 151,268</u>
Expected return on plan assets:	
On \$3,377,232 market value of assets at measurement date	\$ (194,191)
Adjustment for expected employer contributions of \$-0-	-
Adjustment for expected benefit distributions of \$330,000	9,487
Adjustment for estimated administrative expenses	<u>2,600</u>
Expected return on plan assets	<u>\$ (182,104)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Retirement Plans *(Continued)*

Pension Plan: *(Continued)*

Amortization of net loss:	
Prior year total net loss	\$ 690,023
Amount recognized in net periodic benefit cost	(41,311)
Actuarial (gain)	(517)
Actual return on assets – loss	258
Expected return on assets - gain	137,792
Total current year net loss	\$ 786,245
10% of greater of asset value or benefit obligation (after changes, if applicable)	364,242
Loss to recognize	\$ 422,003
Average future service	6.86
Amortization of net loss	\$ 61,516

Effective August 31, 2006, all accrued benefits under the Plan have been frozen at their current amount. No future accrual service will be credited, and no future changes in compensation will be taken into account in the determination of a participant's accrued benefit. The Association amended the Plan to terminate effective August 1, 2008. During the year ended June 30, 2010, the Board voted to rescind the Plan termination. During the year ended June 30, 2015, the Board voted to commence termination of the Plan.

The value of the liabilities is calculated using a measurement date of June 30, 2015, and the Plan assets are valued at their fair value at June 30, 2015.

401(k) Plan:

The Association also has a 401(k) plan which covers substantially all employees. The contribution percentage is determined annually by the Board of Directors and was 3% for all employees plus an additional 2% for veteran employees for the year ended June 30, 2015. In addition, the Association provided a 1% employer match contribution to employees for the year ended June 30, 2015. Contributions to the plan for the year ended June 30, 2015 were \$57,228.

Note 7. Mortgage Payable

LGS had a single advance variable rate term note in the amount of \$1,220,000 dated April 13, 2006, in which the proceeds were used to purchase a building. Interest on the note was equal to 2.00% plus the one-month LIBOR rate. Interest was calculated and paid on a monthly basis. The principal payments were being amortized over a 25-year period with the loan maturing in ten years. During the year ended June 30, 2015, LGS paid the balance of the mortgage in full upon sale of the building.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Fair Value Measurements

Fair value of the assets and liabilities measured on a recurring basis at June 30, 2015 are as follows:

	Fair Value	Quoted Prices		
		in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets (held in an agency capacity):				
Certificates of deposit	\$ 735,000	\$ -	\$ 735,000	\$ -
U.S. government agency agency obligations	331,279,506	-	331,279,506	-
Repurchase agreements	30,747,000	-	30,747,000	-
Commercial paper	36,965,729	-	36,965,729	-
Pension plan assets	<u>3,377,232</u>	-	<u>3,377,232</u>	-
Net fair value	<u>\$ 403,104,467</u>	<u>\$ -</u>	<u>\$ 403,104,467</u>	<u>\$ -</u>

Authoritative guidance issued by the FASB establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of quoted prices of similar assets or liabilities in active markets or quoted prices for identical or similar assets in inactive markets, and Level 3 inputs have the lowest priority. When available, the Association measures fair value using Level 1 inputs because they generally provide the more reliable evidence of fair value.

Level 1 Fair Value Measurements

The fair value measurements are based on quoted market values. The Association holds no such investments at June 30, 2015.

Level 2 Fair Value Measurements

The fair value is based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from observable market data.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Fair Value Measurements *(Continued)*

Level 3 Fair Value Measurements

The U.S. Property Separate Account is not actively traded and significant other observable inputs are not available. Thus, the fair value of the U.S. Property Separate account is determined using various valuation approaches which consist of: 1) annual appraisals by certified appraisers and then updated daily based on changes in factors such as occupancy levels, lease rates, overall market conditions and capital improvements; 2) based on the basis of estimated market interest rates for loans of comparable quality and maturity and giving consideration to the value of the underlying collateral; 3) quoted market prices of the fund or its underlying assets; 4) discounting the future contracts cash flows to the present value using interest rates and anticipated returns a market participant would incur with similar risk and terms.

The following table provides further details of the Level 3 fair value measurements.

Fair value measurements using significant unobservable inputs (Level 3):

	<u>Interest Rate Swap Liability</u>	<u>Pension Plan Assets (U.S. Property Separate Account)</u>
<u>June 30, 2015</u>		
Beginning balance	\$ 120,325	\$ 127,529
Change in value	(29,375)	(127,529)
Principal payments	<u>(90,950)</u>	<u>-</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>

Changes in net assets for the year ended June 30, 2015 for the pension plan assets (U.S. property) are included in the change in accrued pension liability on the statement of activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Net Assets

Net assets consisted of the following as of June 30, 2015:

Unrestricted net assets:	
Undesignated	\$ 2,422,515
Board designated:	
Loss Reserve-ISCAP	781,830
Board designated reserves	180,000
Insurance Division Stabilization Reserve	72,877
Iowa Council of School Board Attorneys	47,648
Legal Service Fund	18,484
Total	<u>\$ 3,523,354</u>

Note 10. Related Entity Transactions

ISEBA:

For the year ended June 30, 2015, IASB has an accounting services agreement with ISEBA for \$60,000 annually, paid in monthly installments of \$5,000 per month. In addition, IASB has a sponsorship agreement with ISEBA based on medical premiums billed less amounts paid for accounting services and sponsorship paid to ISEA. For the year ended June 30, 2015, IASB received \$60,000 for accounting services and \$189,918 for sponsorship fees from ISEBA.

Note 11. Contingencies

The Association created the Insurance Division under the Association to sponsor insurance plans for its members. Premium payments on the plans are made to the respective insurance carriers by the members participating in the program. The Association is reimbursed for various administrative and program services from this fund. Section 12.2 of Charter of the Insurance Division states "upon termination of the Insurance Division by the Association's Board, the Executive Committee, subject to the approval of the Association's Board, shall pay all obligations of the Division and distribute any remaining surplus to the Members as provided in Section 6.2, in such manner as they determine will carry out the purpose of the Division; or the Insurance Committee subject to the approval of the Association's Board may transfer the Insurance Programs and the remaining surplus, or any portion thereof, to the directors of any fund established for a substantially similar purpose, provided that the payment upon dissolution shall be to or for the benefits of the Members and not the Insurance Committee, other private persons, or the Association, except for the payment of expenses and compensation pursuant to Section 6.1 of this Charter." The Association's Board has reserved the right to amend the Insurance Division Charter which would also include the termination clause in the Charter. In addition, any liability would be contingent upon the termination of the Insurance Division in its current form; however, the Association does not expect to terminate the Insurance Division in the near term. Pursuant to Section 6.2, the Insurance Committee is authorized to allocate monies of the Insurance Division for the operation of the Association. A stabilization reserve amount has been classified as a designated, unrestricted net asset by the Association's Board of Directors; the amount at June 30, 2015 was \$72,877. The annual Safety Group dividends are paid directly to the schools by the insurance company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Contingencies *(Continued)*

The Association also established a Legal Service Fund (LSF) which is available to members of the Association who elect to pay membership dues to the LSF. The funds are used to provide financial assistance and legal service to members involved in cases determined by the LSF to be of significant statewide importance. Article XI of the LSF Rules and Regulations states that, upon termination of the LSF, any remaining funds shall be distributed on a pro-rata basis to the LSF members. The amount in the LSF is not recorded as a liability in the Association's financial statements as the Association's Board has reserved the right to amend the LSF Rules and Regulations which would also include the termination clause. In addition, the liability would be contingent upon the termination of the LSF in its current form; however, the Association does not expect to terminate the LSF in the near term. The balance in the LSF at June 30, 2015 was \$18,484. The LSF amount has been classified under unrestricted net assets as designated by the Association's Board of Directors for the Legal Service Fund.

The Association also established the Iowa Council of School Board Attorneys (ICSBA) which is available to attorneys representing members of the Association who elect to pay membership dues to ICSBA. The funds received are used to provide membership in the National School Board Association's Council of School Attorneys and services such as special topic workshops and materials published by the Association. The amount in the ICSBA is not recorded as a liability in the Association's financial statements as ICSBA is considered a special committee of the Association. The balance in ICSBA at June 30, 2015 was \$47,648. The ICSBA amount has been classified under unrestricted net assets as designated by the Association's Board of Directors for the Iowa Council of School Board Attorneys.

ISCAP created a loss reserve to reduce future costs of issuance by strategies including reduced insurance costs. The balance designated by management for the loss reserve for the year ended June 30, 2015 was \$781,830. For the year ended June 30, 2015, \$750,000 was used to provide collateral on the warrants issued to the school districts. Subsequent to the year ended June 30, 2015, all collateral was released and the loss reserve does not secure any warrants.

Note 12. Commitments

Annually the Association holds a convention in November. In association with the convention, certain agreements are signed and agreed upon prior to the event. The Association has signed agreements for speakers and the convention location at June 30, 2015.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Lease Commitments

Operating leases:

As of June 30, 2015, IASB leases office equipment (through April 22, 2018), a postage meter (through April 28, 2020), and office space (through June 30, 2019) under operating lease agreements. Future minimum lease payments required under the leases are as follows:

Year Ending June 30,	
2016	\$ 157,423
2017	157,423
2018	156,538
2019	152,113
2020	1,585
	<u>\$ 625,082</u>

Total rent expense was \$97,740 for the year ended June 30, 2015.

Note 14. Comparative Totals

The amounts shown for 2014 in the accompanying financial statements are included to provide a basis for comparison with 2015 and are not intended to present all information necessary for a fair presentation in conformity with U.S. generally accepted accounting principles.

Note 15. Reclassifications

Certain 2014 amounts on the financial statements have been reclassified to conform to the 2015 classifications. Such reclassifications have no effect on the reported change in total net assets.

Note 16. Subsequent Events

Management has evaluated subsequent events through October 21, 2015, the date the audit report was available to be issued.

**INDEPENDENT AUDITOR'S REPORT ON
CONSOLIDATING INFORMATION**

To the Board of Directors
Iowa Association of School Boards
Des Moines, Iowa

We have audited the consolidated financial statements of the Iowa Association of School Boards (the Association) and its controlled entities for the year ended June 30, 2015, and our report thereon dated October 21, 2015, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included on pages 23 to 29 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information on pages 23 to 29 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Brooks Lodden, P.C.

West Des Moines, Iowa
October 21, 2015

IOWA ASSOCIATION OF SCHOOL BOARDS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
 June 30, 2015
 With Comparative Totals for 2014

Schedule 1

ASSETS	Iowa Association of School Boards & Subsidiary	Iowa Schools Joint Investment Trust	Iowa Schools Cash Anticipation Program	Eliminations	2015 Consolidating Totals	2014 Comparative Totals
Cash and cash equivalents	\$ 3,052,385	\$ 82,658	\$ 907,644	\$ (907,644)	\$ 3,135,043	\$ 3,564,109
Assets held on behalf of others in an agency capacity						
Cash - Iowa Schools Joint Investment Trust	-	1,000,809	-	-	1,000,809	1,900,031
Accrued interest receivable	-	610,517	-	-	610,517	1,430,500
Certificates of deposit	-	735,000	-	-	735,000	980,000
Repurchase agreements	-	30,747,000	-	-	30,747,000	4,000
Commercial paper	-	36,965,729	-	-	36,965,729	39,984,167
U.S. government agency obligations	-	331,279,506	-	-	331,279,506	372,383,431
Accounts receivable, net of allowance 2015 and 2014: \$82,611	102,368	13,447	-	-	115,815	124,617
Office property and equipment, net	134,710	-	-	-	134,710	3,130,800
Prepaid expenses	24,157	-	-	-	24,157	35,856
	<u>\$ 3,313,620</u>	<u>\$ 401,434,666</u>	<u>\$ 907,644</u>	<u>\$ (907,644)</u>	<u>\$ 404,748,286</u>	<u>\$ 423,537,511</u>
Total assets						
LIABILITIES						
Accounts payable	\$ 67,067	\$ 881	\$ -	\$ -	\$ 67,948	\$ 117,529
Deferred revenue	408,551	-	-	-	408,551	351,251
Interest rate swap	-	-	-	-	-	120,325
Accrued wages	39,929	-	-	-	39,929	36,000
Accrued vacation	12,395	-	-	-	12,395	11,520
Accrued interest	-	-	-	-	-	1,278
Accrued property taxes	-	-	-	-	-	67,136
	<u>\$ 527,942</u>	<u>\$ 881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 528,823</u>	<u>\$ 705,039</u>
Agency fund - held in trust for participants in ISJIT	\$ -	\$ 401,338,561	\$ -	\$ (907,644)	\$ 400,430,917	\$ 415,746,888
Accrued pension benefit liability	\$ 265,192	\$ -	\$ -	\$ -	\$ 265,192	\$ 950,978
Mortgage payable - U.S. Bank	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,018,310
	<u>\$ 793,134</u>	<u>\$ 401,339,442</u>	<u>\$ -</u>	<u>\$ (907,644)</u>	<u>\$ 401,224,932</u>	<u>\$ 418,421,215</u>
Total liabilities						
NET ASSETS AND ACCUMULATED (DEFICIT)						
Unrestricted	\$ 2,520,486	\$ 95,224	\$ 907,644	\$ -	\$ 3,523,354	\$ 8,479,647
Accumulated (deficit)	-	-	-	-	-	(3,363,351)
	<u>\$ 2,520,486</u>	<u>\$ 95,224</u>	<u>\$ 907,644</u>	<u>\$ -</u>	<u>\$ 3,523,354</u>	<u>\$ 5,116,296</u>
Total net assets and accumulated (deficit)						
Total liabilities, net assets, and accumulated (deficit)	<u>\$ 3,313,620</u>	<u>\$ 401,434,666</u>	<u>\$ 907,644</u>	<u>\$ (907,644)</u>	<u>\$ 404,748,286</u>	<u>\$ 423,537,511</u>

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2015
With Comparative totals for 2014

Schedule 2

	Unrestricted			Totals	Eliminations	2015	2014
	Iowa Association of School Boards & Subsidiary	Iowa Schools Joint Investment Trust	Iowa Schools Cash Anticipation Program			Consolidating Totals	Comparative Totals
REVENUES							
Memberships	\$ 1,293,750	\$ -	\$ -	\$ 1,293,750	\$ -	\$ 1,293,750	\$ 1,250,387
Publications, forms and materials	180,602	-	-	180,602	-	180,602	178,285
Convention and conferences	633,509	-	-	633,509	-	633,509	677,039
Consulting services	60,547	-	-	60,547	-	60,547	74,350
Program endorsed services	682,848	-	-	682,848	-	682,848	-
Administrative services	-	-	-	-	-	-	1,151,225
PaySchools earn-out fees	-	-	-	-	-	-	862,750
Sponsorships	595,212	-	-	595,212	(88,871)	506,341	242,589
Risk management and insurance program	376,880	-	-	376,880	-	376,880	401,562
Grants	-	-	-	-	-	-	29,988
Rental income	55,262	-	-	55,262	-	55,262	99,638
Total revenues	<u>\$ 3,878,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,878,610</u>	<u>\$ (88,871)</u>	<u>\$ 3,789,739</u>	<u>\$ 4,967,813</u>
EXPENSES							
Salaries	\$ 1,395,813	\$ -	\$ -	\$ 1,395,813	\$ -	\$ 1,395,813	\$ 1,230,464
Payroll taxes	110,651	-	-	110,651	-	110,651	98,052
Retirement benefits	57,228	-	-	57,228	-	57,228	27,651
Benefit costs	23,726	-	-	23,726	-	23,726	24,506
Staff insurance	159,216	-	-	159,216	-	159,216	142,012
Program management	-	231,257	-	231,257	-	231,257	178,688
Staff development	15,557	-	-	15,557	-	15,557	7,671
Marketing	-	77,762	-	77,762	-	77,762	94,700
Travel	95,543	-	-	95,543	-	95,543	125,988
Building operations	259,667	-	-	259,667	-	259,667	229,364
Equipment and computers	202,961	-	-	202,961	-	202,961	253,200
Depreciation and amortization	61,085	-	-	61,085	-	61,085	91,599
Office supplies	20,416	-	45	20,461	-	20,461	30,216
Cartage and postage	16,382	-	-	16,382	-	16,382	13,962
Telephone	19,378	-	-	19,378	-	19,378	12,770
Investment advisory fees	-	72,208	-	72,208	-	72,208	81,171
Professional fees	921,105	57,359	2,713	981,177	-	981,177	1,158,066
Sponsorship fees	13,080	88,871	-	101,951	(88,871)	13,080	53,992
Printing	40,026	-	-	40,026	-	40,026	42,608
Reference materials	6,724	-	-	6,724	-	6,724	2,790
Dues	93,397	-	-	93,397	-	93,397	89,824
Conventions and conferences	234,255	-	-	234,255	-	234,255	236,067
Interest	47,596	-	-	47,596	-	47,596	96,787
Web hosting, registration and internet	29,139	-	-	29,139	-	29,139	53,073
Contributions	-	-	-	-	-	-	24,988
Miscellaneous	-	6,873	29,765	36,638	-	36,638	12,491
Bad debt expense	25	-	-	25	-	25	400
Program banking fees	11,720	-	-	11,720	-	11,720	11,573
Total expenses	<u>\$ 3,834,690</u>	<u>\$ 534,330</u>	<u>\$ 32,523</u>	<u>\$ 4,401,543</u>	<u>\$ (88,871)</u>	<u>\$ 4,312,672</u>	<u>\$ 4,424,673</u>
OTHER REVENUE (EXPENSE)							
Interest income	\$ 5,643	\$ -	\$ 48	\$ 5,691	\$ -	\$ 5,691	\$ 3,454
Other income	5,956	142,386	5,000	153,342	-	153,342	97,666
Investment income	-	490,458	-	490,458	-	490,458	485,013
Dividends issued to participants in ISJIT	-	(20,341)	-	(20,341)	-	(20,341)	(22,220)
Change in value of interest rate swap	29,375	-	-	29,375	-	29,375	59,228
Change in accrued pension liability	(142,867)	-	-	(142,867)	-	(142,867)	(150,743)
Loss on the sale of fixed assets	(1,585,667)	-	-	(1,585,667)	-	(1,585,667)	-
Total other revenue (expense)	<u>\$ (1,687,560)</u>	<u>\$ 612,503</u>	<u>\$ 5,048</u>	<u>\$ (1,070,009)</u>	<u>\$ -</u>	<u>\$ (1,070,009)</u>	<u>\$ 472,398</u>
Change in net assets and net income (loss)	<u>\$ (1,643,640)</u>	<u>\$ 78,173</u>	<u>\$ (27,475)</u>	<u>\$ (1,592,942)</u>	<u>\$ -</u>	<u>\$ (1,592,942)</u>	<u>\$ 1,015,538</u>
Net assets and accumulated (deficit) at beginning of year	<u>4,164,126</u>	<u>17,051</u>	<u>935,119</u>	<u>5,116,296</u>	<u>-</u>	<u>5,116,296</u>	<u>4,100,758</u>
Net assets and accumulated (deficit) at end of year	<u>\$ 2,520,486</u>	<u>\$ 95,224</u>	<u>\$ 907,644</u>	<u>\$ 3,523,354</u>	<u>\$ -</u>	<u>\$ 3,523,354</u>	<u>\$ 5,116,296</u>

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 3

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

With Comparative Totals for 2014

	Iowa Association of School Boards & Subsidiary	Iowa Schools Joint Investment Trust	Iowa Schools Cash Anticipation Program	Eliminations	2015 Consolidating Totals	2014 Comparative Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in net assets and net income (loss)	\$ (1,643,640)	\$ 78,173	\$ (27,475)	\$ -	\$ (1,592,942)	\$ 1,015,538
Adjustments to reconcile the change in net assets and net income (loss) to net cash (used in) provided by operating activities:						
Depreciation and amortization	61,085	-	-	-	61,085	91,599
Swap liability	(29,375)	-	-	-	(29,375)	(59,228)
Loss on the sale of fixed assets	1,585,667	-	-	-	1,585,667	-
Change in assets and liabilities:						
(Increase) decrease in assets:						
Accounts receivable	22,217	415	-	(13,830)	8,802	171,203
Prepaid expenses	11,699	-	-	-	11,699	105,071
Increase (decrease) in liabilities:						
Agency funds	-	(27,597)	-	27,597	-	-
Due to IASB	-	(13,830)	-	13,830	-	-
Accounts payable	(48,161)	(1,298)	(122)	-	(49,581)	6,529
Accrued property taxes	(67,136)	-	-	-	(67,136)	(3,534)
Accrued interest	(1,278)	-	-	-	(1,278)	(66)
Accrued wages	3,929	-	-	-	3,929	(36,000)
Accrued vacation	875	-	-	-	875	(12,860)
Accrued pension liability	(685,786)	-	-	-	(685,786)	106,827
Deferred revenue	57,300	-	-	-	57,300	(114,000)
Net cash (used in) provided by operating activities	<u>\$ (732,604)</u>	<u>\$ 35,863</u>	<u>\$ (27,597)</u>	<u>\$ 27,597</u>	<u>\$ (696,741)</u>	<u>\$ 1,271,079</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property and equipment	\$ (57,513)	\$ -	\$ -	\$ -	\$ (57,513)	\$ (266,645)
Proceeds from the sale of fixed assets	1,406,851	-	-	-	1,406,851	-
Net cash provided by (used in) investing activities	<u>\$ 1,349,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,349,338</u>	<u>\$ (266,645)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Issuance of units to ISCAP	\$ -	\$ 27,597	\$ -	\$ -	\$ 27,597	\$ (14,220)
Principal payments on interest rate swap	(90,950)	-	-	-	(90,950)	-
Principal payments on notes payable	(1,018,310)	-	-	-	(1,018,310)	(31,970)
Net cash (used in) provided by financing activities	<u>\$ (1,109,260)</u>	<u>\$ 27,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,081,663)</u>	<u>\$ (46,190)</u>
Net increase (decrease) in cash and cash equivalents	\$ (492,526)	\$ 63,460	\$ (27,597)	\$ 27,597	\$ (429,066)	\$ 958,244
Cash and cash equivalents at beginning of year	3,544,911	19,198	935,241	(935,241)	3,564,109	2,605,865
Cash and cash equivalents at end of year	<u>\$ 3,052,385</u>	<u>\$ 82,658</u>	<u>\$ 907,644</u>	<u>\$ (907,644)</u>	<u>\$ 3,135,043</u>	<u>\$ 3,564,109</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION						
Cash payments for interest	<u>\$ 48,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,874</u>	<u>\$ 128,285</u>

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 4

CONSOLIDATING STATEMENT OF FINANCIAL POSITION FOR
IOWA ASSOCIATION OF SCHOOL BOARDS & SUBSIDIARY

June 30, 2015

With Comparative Totals for 2014

ASSETS	Iowa Association of School Boards	Local Government Services, Inc.	Eliminations	2015 Consolidating Totals	2014 Comparative Totals
Cash and cash equivalents	\$ 3,052,385	\$ -	\$ -	\$ 3,052,385	\$ 3,544,911
Accounts receivable, net of allowance 2015 and 2014: \$82,611	102,368	-	-	102,368	103,144
Accounts receivable - related entities	-	-	-	-	21,441
Office property and equipment, net	134,710	-	-	134,710	3,130,800
Prepaid expenses	24,157	-	-	24,157	35,856
Total assets	<u>\$ 3,313,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,313,620</u>	<u>\$ 6,836,152</u>
LIABILITIES					
Accounts payable	\$ 67,067	\$ -	\$ -	\$ 67,067	\$ 115,228
Deferred revenue	408,551	-	-	408,551	351,251
Interest rate swap	-	-	-	-	120,325
Accrued wages	39,929	-	-	39,929	36,000
Accrued vacation	12,395	-	-	12,395	11,520
Accrued interest	-	-	-	-	1,278
Accrued property taxes	-	-	-	-	67,136
	<u>\$ 527,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 527,942</u>	<u>\$ 702,738</u>
Accrued pension benefit liability	<u>\$ 265,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,192</u>	<u>\$ 950,978</u>
Mortgage payable:					
Mortgage payable - U.S. Bank	\$ -	\$ -	\$ -	\$ -	\$ 1,018,310
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,018,310</u>
Total liabilities	<u>\$ 793,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 793,134</u>	<u>\$ 2,672,026</u>
NET ASSETS AND ACCUMULATED (DEFICIT)					
Unrestricted	\$ 2,520,486	\$ -	\$ -	\$ 2,520,486	\$ 7,527,477
Accumulated (deficit)	-	-	-	-	(3,363,351)
Total net assets and accumulated (deficit)	<u>\$ 2,520,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,520,486</u>	<u>\$ 4,164,126</u>
Total liabilities, net assets, and accumulated (deficit)	<u>\$ 3,313,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,313,620</u>	<u>\$ 6,836,152</u>

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 5

**CONSOLIDATING STATEMENT OF ACTIVITIES FOR
IOWA ASSOCIATION OF SCHOOL BOARDS & SUBSIDIARY**

Year Ended June 30, 2015

With Comparative Totals for 2014

	Unrestricted			2015 Consolidated Totals	2014 Comparative Totals
	Iowa Association of School Boards	Local Government Services, Inc.	Eliminations		
REVENUES					
Memberships	\$ 1,293,750	\$ -	\$ -	\$ 1,293,750	\$ 1,250,387
Publications, forms and materials	180,602	-	-	180,602	178,285
Convention and conferences	633,509	-	-	633,509	677,039
Consulting services	60,547	-	-	60,547	74,350
Program endorsed services	682,848	-	-	682,848	3,956
Administrative services	-	-	-	-	1,151,225
PaySchools earn-out fees	-	-	-	-	862,750
Sponsorships	595,212	-	-	595,212	350,817
Risk management and insurance program	376,880	-	-	376,880	401,562
Rental income	-	180,262	(125,000)	55,262	99,638
Total revenues	<u>\$ 3,823,348</u>	<u>\$ 180,262</u>	<u>\$ (125,000)</u>	<u>\$ 3,878,610</u>	<u>\$ 5,050,009</u>
EXPENSES					
Salaries	\$ 1,395,813	\$ -	\$ -	\$ 1,395,813	\$ 1,230,464
Payroll taxes	110,651	-	-	110,651	98,052
Retirement benefits	57,228	-	-	57,228	27,651
Benefit costs	23,449	277	-	23,726	24,506
Staff insurance	159,216	-	-	159,216	142,012
Staff development	15,557	-	-	15,557	7,671
Travel	95,543	-	-	95,543	124,944
Building operations	244,913	139,754	(125,000)	259,667	229,364
Equipment and computers	202,961	-	-	202,961	253,200
Depreciation and amortization	18,445	42,640	-	61,085	91,599
Office supplies	19,370	1,046	-	20,416	30,143
Cartage and postage	16,332	50	-	16,382	13,956
Telephone	18,579	799	-	19,378	12,720
Professional fees	886,387	34,718	-	921,105	1,108,073
Sponsorship fees	13,080	-	-	13,080	53,992
Printing	39,813	213	-	40,026	42,608
Reference materials	6,724	-	-	6,724	2,790
Dues	93,287	110	-	93,397	89,824
Conventions and conferences	234,255	-	-	234,255	236,067
Interest	1,856	45,740	-	47,596	96,787
Web hosting, registration and internet	29,139	-	-	29,139	53,073
Miscellaneous	-	-	-	-	186
Bad debt expense	25	-	-	25	400
Program banking fees	10,324	1,396	-	11,720	11,573
Total expenses	<u>\$ 3,692,947</u>	<u>\$ 266,743</u>	<u>\$ (125,000)</u>	<u>\$ 3,834,690</u>	<u>\$ 3,981,655</u>
OTHER REVENUE (EXPENSE)					
Interest income	\$ 2,777	\$ 2,866	\$ -	\$ 5,643	\$ 3,407
Other income	5,396	560	-	5,956	10,550
Change in value of interest rate swap	-	29,375	-	29,375	59,228
Change in accrued pension liability	(142,867)	-	-	(142,867)	(150,743)
Return of additional paid in capital	1,303,510	-	(1,303,510)	-	-
Loss on the sale of fixed assets	-	(1,585,667)	-	(1,585,667)	-
Total other revenue (expense)	<u>\$ 1,168,816</u>	<u>\$ (1,552,866)</u>	<u>\$ (1,303,510)</u>	<u>\$ (1,687,560)</u>	<u>\$ (77,558)</u>
Change in net assets and net income (loss)	<u>\$ 1,299,217</u>	<u>\$ (1,639,347)</u>	<u>\$ (1,303,510)</u>	<u>\$ (1,643,640)</u>	<u>\$ 990,796</u>
Net assets (loss) at beginning of year	<u>1,221,269</u>	<u>(3,363,351)</u>	<u>6,306,208</u>	<u>4,164,126</u>	<u>3,173,330</u>
Dissolution of Local Government Services, Inc.	<u>\$ -</u>	<u>\$ 5,002,698</u>	<u>\$ (5,002,698)</u>	<u>\$ -</u>	<u>\$ -</u>
Net assets (loss) at end of year	<u>\$ 2,520,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,520,486</u>	<u>\$ 4,164,126</u>

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 6

**CONSOLIDATING STATEMENT OF CASH FLOWS FOR
IOWA ASSOCIATION OF SCHOOL BOARDS & SUBSIDIARY**

Year Ended June 30, 2015

With Comparative Totals for 2014

	<u>Iowa Association of School Boards</u>	<u>Local Government Services, Inc.</u>	<u>Eliminations</u>	<u>2015 Consolidating Totals</u>	<u>2014 Comparative Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets and net income (loss)	\$ 1,299,217	\$ (1,639,347)	\$ (1,303,510)	\$ (1,643,640)	\$ 990,796
Adjustments to reconcile the change in net assets and net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	18,445	42,640	-	61,085	91,599
Swap liability	-	(29,375)	-	(29,375)	(59,228)
Loss on the sale of fixed assets	-	1,585,667	-	1,585,667	-
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	(41,387)	196,720	(133,116)	22,217	196,958
Other assets	7,858	3,841	-	11,699	103,531
Increase (decrease) in liabilities:					
Accounts payable	(124,520)	(56,757)	133,116	(48,161)	8,746
Accrued property taxes	-	(67,136)	-	(67,136)	(3,534)
Accrued interest	-	(1,278)	-	(1,278)	(66)
Accrued wages	3,929	-	-	3,929	(36,000)
Accrued vacation	5,657	(4,782)	-	875	(12,860)
Accrued pension liability	(685,786)	-	-	(685,786)	106,827
Deferred revenue	58,135	(835)	-	57,300	(114,000)
Net cash provided by (used in) operating activities	<u>\$ 541,548</u>	<u>\$ 29,358</u>	<u>\$ (1,303,510)</u>	<u>\$ (732,604)</u>	<u>\$ 1,272,769</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	\$ (57,513)	\$ -	\$ -	\$ (57,513)	\$ (266,645)
Proceeds from the sale of fixed assets	-	1,406,851	-	1,406,851	-
Net cash provided by (used in) investing activities	<u>\$ (57,513)</u>	<u>\$ 1,406,851</u>	<u>\$ -</u>	<u>\$ 1,349,338</u>	<u>\$ (266,645)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Return of additional paid in capital	\$ -	\$ (1,303,510)	\$ 1,303,510	\$ -	\$ -
Principal payment on interest rate swap	-	(90,950)	-	(90,950)	-
Principal payments on notes payable	-	(1,018,310)	-	(1,018,310)	(31,970)
Net cash (used in) financing activities	<u>\$ -</u>	<u>\$ (2,412,770)</u>	<u>\$ 1,303,510</u>	<u>\$ (1,109,260)</u>	<u>\$ (31,970)</u>
Net increase (decrease) in cash and cash equivalents	\$ 484,035	\$ (976,561)	\$ -	\$ (492,526)	\$ 974,154
Cash and cash equivalents at beginning of year	<u>2,568,350</u>	<u>976,561</u>	<u>-</u>	<u>3,544,911</u>	<u>2,570,757</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,052,385</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,052,385</u></u>	<u><u>\$ 3,544,911</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION					
Cash payments for interest	<u>\$ 1,856</u>	<u>\$ 47,018</u>	<u>\$ -</u>	<u>\$ 48,874</u>	<u>\$ 128,285</u>

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 7

CONSOLIDATING STATEMENT OF EXPENSES BY PROGRAM

Year Ended June 30, 2015

Program Services

	Advocacy	Governance and Leadership Services	Convention and Conferences	ISJIT Investment Services	ISCAP Administrative Services	Other Programs	Total Program Services	Management and General	Eliminations	2015 Consolidating Totals
Salaries	\$ 29,531	\$ 392,825	\$ 111,508	\$ -	\$ -	\$ 48,588	\$ 582,452	\$ 813,361	\$ -	\$ 1,395,813
Payroll taxes	2,259	30,051	8,530	-	-	3,717	44,558	66,093	-	110,651
Retirement expense	886	11,785	3,345	-	-	1,458	17,474	39,754	-	57,228
Benefit costs	-	-	-	-	-	-	-	23,726	-	23,726
Staff insurance	-	-	-	-	-	-	-	159,216	-	159,216
Program management	-	-	-	231,257	-	-	231,257	-	-	231,257
Staff development	2,306	9,303	-	-	-	-	11,609	3,948	-	15,557
Marketing	-	-	-	77,762	-	-	77,762	-	-	77,762
Travel	4,347	11,932	21,675	-	-	58	38,012	57,531	-	95,543
Building operations	-	-	-	-	-	-	-	384,667	(125,000)	259,667
Equipment and computers	-	-	-	-	-	-	-	202,961	-	202,961
Depreciation and amortization	-	-	-	-	-	-	-	61,085	-	61,085
Office supplies	-	3,442	2,262	-	45	-	5,749	14,712	-	20,461
Cartage and postage	180	4,467	7,693	-	-	-	12,340	4,042	-	16,382
Telephone	26	21	-	-	-	-	47	19,331	-	19,378
Investment advisory fees	-	-	-	72,208	-	-	72,208	-	-	72,208
Professional fees	64,820	83,812	74,123	57,359	2,713	521,611	804,438	176,739	-	981,177
Sponsorship fees	-	-	-	88,871	-	12,580	101,451	500	(88,871)	13,080
Printing	3,146	10,529	14,909	-	-	1,110	29,694	10,332	-	40,026
Reference materials	3,484	254	-	-	-	-	3,738	2,986	-	6,724
Dues	-	219	-	-	-	12,110	12,329	81,068	-	93,397
Conventions and conferences	1,203	8,733	219,508	-	-	3,666	233,110	1,145	-	234,255
Interest	-	-	-	-	-	-	-	47,596	-	47,596
Web hosting, registration and internet	-	83	657	-	-	-	740	28,399	-	29,139
Miscellaneous	-	-	-	6,873	29,765	-	36,638	-	-	36,638
Bad debt expense	-	-	-	-	-	-	-	25	-	25
Program banking fees	-	-	-	-	-	272	272	11,448	-	11,720
Total expenses	\$ 112,188	\$ 567,456	\$ 464,211	\$ 534,330	\$ 32,523	\$ 605,170	\$ 2,315,877	\$ 2,210,666	\$ (213,871)	\$ 4,312,672