IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

C O N T E N T S

Brooks Lodden P.C.
certified public accountants

Telford A. Lodden, CPA, CFP®, CVA, Shareholder
Bruce W. Hartley, CPA, Shareholder
John E. Lamale, CPA, Shareholder
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 statement of financial position of the Iowa Association of School Boards (the Association) and its controlled entities as of June 30, 2011 and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's 2010 financial statements and, in our report dated January 12, 2011; we expressed a qualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Iowa Association of School Boards as of June 30, 2011 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2012 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Brooks Lodden, P.C

West Des Moines, Iowa
April 6, 2012

1441 29th Street, Suite 305 • West Des Moines, IA 50266 • Phone: 515.223.7300 • Fax: 515.223.8778

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2011
With Comparative Totals for 2010

ASSETS	**2011 Consolidated Totals**	**2010 Comparative Totals**
Cash and cash equivalents	$ 1,432,724	$ 1,124,585
Assets held on behalf of others in an agency capacity:		
Cash - Iowa Schools Joint Investment Trust	1,523,545	2,276,957
Accrued interest receivable	655,069	1,750,747
Certificates of deposit	980,000	980,000
Repurchase agreements	222,258,000	126,050,000
U.S. government agency obligations	456,874,289	422,340,513
Demand deposits	-	35,058,411
U.S. treasury bills	-	2,999,644
Accounts receivable, net of allowance 2011: $131,508; 2010: $38,000	541,413	572,381
Accounts receivable - related parties	-	118,299
Contributions receivable	-	5,030
Office property and equipment, net	3,180,687	3,365,088
Other assets	5,000	6,828
Total assets	$ 687,450,727	$ 596,648,483
LIABILITIES		
Accounts payable	$ 228,513	$ 1,018,961
Accounts payable - related entities	-	292,320
Deferred revenue	386,816	317,740
Interest rate swap	236,536	258,584
Accrued wages	185,847	340,041
Accrued vacation	64,177	42,062
Accrued interest	1,329	5,699
Accrued property taxes	103,332	103,200
	$ 1,206,550	$ 2,378,607
Agency fund - held in trust for participants in ISJIT	$ 681,465,829	$ 589,571,817
Accrued pension benefit liability	$ 693,410	$ 795,684
Mortgage payable	$ 1,107,990	$ 1,133,520
Total liabilities	$ 684,473,779	$ 593,879,628
NET ASSETS		
Unrestricted	$ 2,966,654	$ 2,750,397
Temporarily restricted	10,294	18,458
Total net assets	$ 2,976,948	$ 2,768,855
Total liabilities and net assets	$ 687,450,727	$ 596,648,483

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2011
With Comparative Totals for 2010

	Unrestricted	Temporarily Restricted	2011 Consolidated Totals	2010 Comparative Totals
REVENUES				
Memberships	$ 1,208,584	$ -	$ 1,208,584	$ 1,292,248
Publications, forms and materials	190,155	-	190,155	223,995
Convention and conferences	507,481	-	507,481	481,697
Consulting services	10,771	-	10,771	28,920
Professional services	272,033	-	272,033	300,072
Contributions	1,700	-	1,700	5,335
Administrative services	1,291,461	-	1,291,461	1,704,185
Online payment services	2,133,077	-	2,133,077	2,048,578
Sponsorships	261,423	-	261,423	242,437
Risk management and insurance program	526,446	-	526,446	507,489
Grants	3,395,246	-	3,395,246	3,428,090
Rental income	127,658	-	127,658	118,349
Net assets released from restrictions satisfied by payments	8,164	(8,164)	-	-
Total revenues	$ 9,934,199	$ (8,164)	$ 9,926,035	$ 10,381,395
EXPENSES				
Salaries	$ 2,341,316	$ -	$ 2,341,316	$ 3,302,933
Payroll taxes	180,716	-	180,716	207,921
Retirement benefits	151,975	-	151,975	388,449
Program management	323,035	-	323,035	354,094
Staff development	4,010	-	4,010	8,647
Marketing	156,053	-	156,053	10,018
Travel	165,808	-	165,808	209,538
Building operations	244,155	-	244,155	305,366
Equipment and computers	82,071	-	82,071	114,730
Depreciation and amortization	194,591	-	194,591	383,468
Office supplies	47,963	-	47,963	80,317
Cartage and postage	15,472	-	15,472	32,575
Telephone	36,901	-	36,901	39,970
Investment advisory fees	206,768	-	206,768	231,546
Professional fees	1,396,101	-	1,396,101	2,501,719
Skills Iowa expenses	2,905,491	-	2,905,491	2,742,821
Rating service	14,910	-	14,910	77,032
Sponsorship fees	292,418	-	292,418	437,228
Insurance	225,058	-	225,058	303,827
Printing	15,032	-	15,032	31,715
Reference materials	6,925	-	6,925	9,782
Dues	89,941	-	89,941	89,426
Conventions and conferences	319,436	-	319,436	294,771
Interest	98,625	-	98,625	105,640
Web hosting, registration and internet	49,040	-	49,040	44,888
Contributions	44,115	-	44,115	45,225
Assistance to members	5,040	-	5,040	13,060
Miscellaneous	139,660	-	139,660	43,037
Program banking fees	864,445	-	864,445	794,587
Total expenses	$ 10,617,071	$ -	$ 10,617,071	$ 13,204,330

(Continued)

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2011
With Comparative Totals for 2010

	Unrestricted	Temporarily Restricted	2011 Consolidated Totals	2010 Comparative Totals
OTHER REVENUE (EXPENSE)				
Interest income	$ 6,183	$ -	$ 6,183	$ 4,812
Other income	30,113	-	30,113	25,477
Investment income	1,304,545	-	1,304,545	1,568,785
Dividends issued to participants in ISJIT	(572,274)	-	(572,274)	(636,642)
Change in value of interest rate swap	22,048	-	22,048	(51,083)
Change in accrued pension liability	102,274	-	102,274	496,775
Loss on discontinued software	-	-	-	(66,708)
Gain on the sale of assets	1,289	-	1,289	-
Gain on the cost of issuance	4,951	-	4,951	17,337
Total other revenue	$ 899,129	$ -	$ 899,129	$ 1,358,753
Change in net assets	$ 216,257	$ (8,164)	$ 208,093	$ (1,464,182)
Net assets at beginning of year	2,750,397	18,458	2,768,855	4,233,037
Net assets at end of year	$ 2,966,654	$ 10,294	$ 2,976,948	$ 2,768,855

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2011
With Comparative Totals for 2010

	2011 Consolidated Totals	2010 Comparative Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 208,093	$ (1,464,182)
Adjustments to reconcile the change in net assets to net cash (used in) operating activities:		
Depreciation and amortization	194,591	383,468
Swap liability	(22,048)	51,083
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	146,364	85,609
Pledges receivable	5,030	(5,030)
Accrued interest receivable	(8,628)	(9,035)
Other assets	1,828	64,504
(Decrease) increase in liabilities:		
Agency funds	-	996
Accounts payable	(1,079,865)	713,033
Accrued property taxes	132	(712)
Accrued interest	4,258	8,798
Accrued wages	(154,194)	340,041
Accrued vacation	22,115	(5,918)
Accrued pension liability	(102,274)	(496,775)
Deferred revenue	69,076	(329,546)
Net cash (used in) operating activities	$ (715,522)	$ (663,666)
CASH FLOWS FROM INVESTING ACTIVITIES		
Amounts expended for computer software	$ -	$ (4,800)
Purchase of property and equipment	(10,190)	(40,460)
Net cash (used in) investing activities	$ (10,190)	$ (45,260)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of units to ISCAP	$ 1,059,381	$ 72,519
Principal payments on notes payable	(25,530)	(23,550)
Net cash provided by financing activities	$ 1,033,851	$ 48,969
Net increase (decrease) in cash and cash equivalents	$ 308,139	$ (659,957)
Cash and cash equivalents at beginning of year	1,124,585	1,784,542
Cash and cash equivalents at end of year	$ 1,432,724	$ 1,124,585
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 102,995	$ 105,883

See Accompanying Independent Auditor's Report.

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, research, consulting, conferences, conventions, cash management, and risk management.

LGS is a for-profit, wholly-owned subsidiary of the Association. LGS operates in a support capacity for the Association, which includes technology, infrastructure, and office operations. LGS also seeks to create aggregation opportunities for members of the Association and other educational and government institutions in Iowa and other states, and operates the Association's sponsored programs. LGS is run for the benefit of the members of the Association, and all net revenue returned to the Association is invested into member services. By creating new business services and making existing business services more efficient, LGS preserves resources for the Association's members for student achievement and allows administrators to focus on the core mission of public education. Business services include marketing and administrative support for both nonprofits and intergovernmental organizations, PaySchools, and other Association sponsored programs.

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. The organization's primary programs were Lighthouse and Communities for Literate Iowa Kids (CLIK).

The Foundation is dependent on the Iowa Association of School Boards (IASB) for financial and operating support.

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

Nature of organization: *(Continued)*

Subsequent to year end, the Board of Directors of the Foundation decided to suspend operation of the Foundation, subject to wrapping up current outstanding activities. The Board of Directors of the Foundation will remain intact but be placed on "inactive status." The Foundation, with the assistance of IASB, will provide the services necessary to complete existing grant and restricted contribution obligations. The IASB will provide the necessary financial funding during the wind down period.

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.

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.

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.

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.

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)*

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.

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.

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

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

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.

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, 2011, 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 approximately $226,703,909, held in an agency capacity.

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.

Based on the interest rates available to the Association, the carrying value of long-term debt is a reasonable estimation of fair value.

Interest rate swap value is determined through a valuation model used by the holder which uses interest rate factors from the market.

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.

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

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

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 FASB, which requires that all derivative instruments be recorded in the statement of financial position at fair value.

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.

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

Lighthouse, which includes the third phase of the research (involving multiple states) and the scale-up in Iowa.

Communities for Literate Iowa Kids Project (CLIK), which includes early literacy development programs.

Investment services, which includes ISJIT and other investment programs.

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

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: *(Continued)*

Online payment services, which includes PaySchools, Give2Schools and other online payment programs.

Background check services, which includes the employee background check program.

Drug and alcohol testing services, which includes the Iowa Drug & Alcohol Testing Program (IDATP).

Assessment services, which includes Skills Iowa, 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, is subject to federal and state income taxes as provided below.

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due or refundable plus deferred taxes. Deferred taxes result from the recognition of deferred tax liabilities and assets for expected future income tax consequence events that have been recognized in the Association's financial statements which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are determined based on temporary differences between the financial carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse. Management periodically reviews the value of deferred tax assets to determine the future realization of the asset. If management determines the asset will not be realized a valuation allowance is applied to the asset.

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, 2008 through 2011.

Note 2. Significant Estimates

A liability is recorded for the value of an interest rate swap. This is an estimate of the swap's fair value based on benchmark levels of recent swaps entered into on similar terms and it is reasonably possible that the estimate may change significantly in the near term.

The deferred tax asset valuation allowance is based upon management's estimate of the future realization of the deferred tax asset. It is reasonably possible that the valuation allowance may change significantly in the near term.

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.

Note 3. Concentrations

The Association routinely has cash balances at financial institutions in excess of FDIC insured limits. The Association has not experienced any losses as a result of this.

Note 4. Property and Equipment

At June 30, 2011 the cost and accumulated depreciation of property and equipment were as follows:

Land	**$ 505,638**
Buildings and improvements	**2,980,093**
Office equipment	**126,576**
Computer equipment	**428,576**
Computer software	**1,075,650**
	$5,116,533
Less accumulated depreciation and amortization	**1,935,846**
	$3,180,687

Note 5. Income Taxes

LGS accounts for income taxes in accordance with authoritative guidance issued by the FASB, whereby deferred taxes are provided on temporary differences arising from assets and liabilities whose basis is different for financial reporting and income tax purposes. Deferred taxes are attributable to the effects of the following items:

- Differences in calculating depreciation on fixed assets
- Tax loss carryforwards

Deferred taxes consist of the following at June 30, 2011:

Deferred tax assets	**$ 1,643,538**
Valuation allowance	**(1,643,538)**
	$ -

Subsequent to June 30, 2009, LGS's management significantly changed programs managed by LGS. These changes significantly decreased current and future revenues which affected the future realization of the deferred tax asset. Based on the factors in place, the Board decided to apply a 100% valuation allowance to the deferred tax asset for periods going forward.

As of June 30, 2011, LGS had a net operating loss carryforward of $3,939,819 that can be deducted against future taxable income. This tax carryforward amount will expire as follows:

June 30,	
2026	**$ 112,421**
2027	**1,286,839**
2028	**939,673**
2029	**1,119,306**
2030	**481,580**
	$3,939,819

Note 6. Agency Funds

Agency fund activity for the year ended June 30, 2011 was as follows:

	ISJIT
Balance at beginning of year	**$ 589,571,817**
Revenue:	
Units sold	**2,057,400,286**
Units redeemed	**(1,965,253,474)**
Dividends issued	**572,274**
Eliminations	**(825,074)**
Balance at end of year	**$ 681,465,829**

Note 7. 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, 2011:

Fair value of plan assets at beginning of period	**$2,449,801**
Actual return of plan assets	**275,164**
Employer contributions	**-**
Benefits paid	**(160,510)**
Fair value of plan assets at end of period	**$2,564,455**
Benefit obligation at beginning of period	**$3,245,485**
Interest cost	**163,038**
Actuarial (gain)	**9,852**
Benefits paid	**(160,510)**
Projected/accumulated benefit obligation at end of period	**$3,257,865**
Plan assets in deficit of projected/accumulated benefit obligation	**$ (693,410)**

Changes to unrestricted net assets are as follows:

Plan assets in deficit of projected/accumulated benefit obligation at June 30, 2010		**$ 795,684**
Change in accrued pension liability shown in the statement of activities:		
Components of net periodic benefit cost:		
Interest cost	**$ 163,038**	
Expected return of plan assets	**(133,049)**	
Amortization of net loss	**17,335**	
Net periodic benefit cost	**$ 47,324**	
Other changes:		
Net (gain)/loss	**$ (132,263)**	
Amortization of net gain/(loss)	**(17,335)**	
Total other changes	**$ (149,598)**	
Total change	**$ (102,274)**	**(102,274)**
Plan assets in deficit of projected/accumulated benefit obligation at June 30, 2011		**$ 693,410**

Note 7. Retirement Plans (*Continued)*

Pension Plan: *(Continued)*

Plan assets allocations were comprised of the following investment classifications at June 30, 2011:

Equity securities	**14%**
Fixed income securities	**18**
Debt securities	**68**
	100%

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.

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, 2011:

Discount rate	**5.25%**
Expected long-term rate of return on plan assets	**6.75%**

The benefits expected to be paid in each year from 2012 to 2016 are $170,000, $160,000, $160,000, $290,000, and $310,000, respectively. The aggregate benefits expected to be paid in the five years from 2017 to 2021 are $1,330,000. The expected benefits to be paid are based on the same assumptions used to measure the Association's benefit obligation at June 30, 2010 and include estimated employee service. The Association expects to make contributions of $161,696 during the upcoming year; comprised of $97,000 for 2010 contributions and $64,696 for 2011 contributions.

Note 7. Retirement Plans (*Continued)*

Pension Plan: ***(Continued)***

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 $3,257,865 projected benefit obligation	**$ 179,183**
Adjustment for expected benefit distributions of $170,000	**(4,675)**
Interest cost	**$ 174,508**
Expected return on plan assets:	
On $2,564,455 market value of assets at measurement date	**$ (141,045)**
Adjustment for expected employer contributions of $120,618	**(2,349)**
Adjustment for expected benefit distributions of $170,000	**4,675**
Adjustment for estimated administrative expenses	**19,303**
Expected return on plan assets	**$ (119,416)**
Amortization of net (gain) loss:	
Prior year total net (gain) loss	**$484,549**
Amount recognized in net periodic benefit cost	**(17,335)**
Actuarial (gain) loss	**9,852**
Actual return on assets (gain) loss	**(275,164)**
Expected return on assets gain (loss)	**133,049**
Total current year net (gain) loss	**$ 334,951**
10% of greater of asset value or benefit obligation (after changes, if applicable)	**325,787**
(Gain) loss to recognize	**$ 9,164**
Average future service	**8.97**
Amortization of net (gain) loss	**$ 1,022**

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 prior fiscal year, the Board voted to rescind the Plan termination and the Plan will remain frozen until further action is taken by the Board.

The value of the liabilities is calculated using a measurement date of June 30, 2011, and the Plan assets are valued at their fair value at June 30, 2011.

Note 7. Retirement Plans (*Continued)*

Pension Plan: *(Continued)*

401(k) Plan:

The Association also has a 401(k) plan which covers substantially all employees. Under the terms of the plan, employer-matching contributions are equal to 100% of the employee contributions, up to 2% of eligible wages after six months of employment. The Association also made discretionary contributions ranging from 5% to 13% (based on the employee's allocation group) for the fiscal year ending June 30, 2011. The contributions to the plan for the year ended June 30, 2011 were as follows:

IASB	**$ 97,388**
LGS	**54,587**
Total	**$148,606**

Subsequent to year end, the employer-matching contributions and discretionary contributions have been suspended.

Note 8. Mortgage Payable

LGS has 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 is equal to 2.00% plus the one-month LIBOR rate. Interest is calculated and paid on a monthly basis. The principal payments are being amortized over a 25-year period with the loan maturing in ten years.

At June 30, 2011, the balance of the single advance term note was $1,107,990 with an interest rate of 2.19%. The single advance term note is collateralized by the building and rent. Net book value of the land and building as of June 30, 2011 was $3,107,453.

The bank has provided LGS a permanent waiver on violation for 2010 and following years regarding the rental agreement with ISEBA, which is now an administrative services agreement. A waiver was received from the bank for the 2011 violations.

Mortgage payable maturities of the Association for the next five years and thereafter are as follows:

Years	Amount
2012	**$ 27,530**
2013	**29,660**
2014	**31,970**
2015	**34,460**
2016	**984,370**
	$1,107,990

LGS has pledged a money market account held by the bank as part of the collateral on the note. The pledged money market account balance as of June 30, 2011 was $92,801.

Note 9. On-Balance Sheet Derivative Instruments and Hedging Activities

Derivative Financial Instruments:

LGS has a stand-alone derivative financial instrument in the form of an interest rate swap agreement, which derives its value from underlying interest rates. This transaction involves both credit and market risk. The notional amount is an amount on which calculations, payments, and the value of the derivative is based. Notional amounts do not represent direct credit exposures. Direct credit exposure is limited to the net difference between the calculated amount to be received and paid, if any. Such difference, which represents the fair value of the derivative instruments, is reflected on the Association's financial statements as a derivative liability.

The Association is exposed to credit related losses in the event of nonperformance by the counter-party to this agreement; however, risk is mitigated by the fact that the counter-party is a creditor to the Association. The Association controls the credit risk of its financial contracts through credit approvals, limits and monitoring procedures, and does not expect the counter-party to fail its obligations. The Association deals only with one primary dealer.

Derivative instruments are generally negotiated over-the-counter contracts generally entered into between two counter-parties that negotiate specific terms, including the underlying instrument, amount, exercise prices, and maturity.

Derivative Financial Instruments – Description:

The Association has entered into an interest rate swap agreement with one counter-party to hedge the interest payments of the mortgage payable. The swap is pay variable, receive fixed. The objective of the interest rate swap agreement is to fix the interest rates on the mortgage payable at a lower rate than issuing fixed rate debt.

Risk Management Policies – Hedging Instruments:

The Association has entered into an interest rate swap agreement to effectively manage the risk of rising interest rates on the mortgage payable. On an ongoing basis, management monitors the monthly interest rate resets of the variable rate mortgage payable; receives, at least monthly, valuation statements of the swap agreement; records the fair value adjustments of the swap in the accounting records; and internally assesses the effectiveness of the swap agreement each month and, if any material changes become evident, informs the Board of Directors of those facts and circumstances.

Interest Rate Risk Management – Fair Value of Hedging Instruments:

The Association has variable rate debt. Management believes that it is prudent to limit the variability in the fair value portion of its variable-rate debt by entering into this interest rate swap. It is the Association's objective to fix interest rates on the variable rate debt in a way that was more cost effective than natural fixed rate debt to protect against the risk of rising interest rates in the long term.

To meet this objective, the Association utilizes an interest rate swap as an asset/liability management strategy to hedge the change in value of the debt due to changes in expected interest rate assumptions. The interest rate swap agreement is a contract to make a series of variable rate payments in exchange for receiving a series of fixed rate payments. The Association believes that the hedge remains effective at June 30, 2011.

Note 9. On-Balance Sheet Derivative Instruments and Hedging Activities *(Continued)*

At June 30, 2011, the information pertaining to the outstanding interest rate swap agreement used to hedge variable-rate debt is as follows:

Swap #21257A

Notional amount	**$ 1,401,070**
Weighted average pay rate	**0.30%**
Weighted average receive rate	**5.62%**
Weighted average maturity in years	**4.8**
Unrealized (loss) relating to interest rate swap	**$ (236,536)**

The above agreement provides for the Association to make payments at a variable rate of 0.30% in exchange for receiving payments at a fixed rate of 5.62%. At June 30, 2011, the unrealized (loss) related to use of interest rate swaps was recorded as a derivative liability in accordance with authoritative guidance issued by the FASB.

Note 10. Fair Value Measurements

Fair value of the assets and liabilities measured on a recurring basis at June 30, 2011 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	$ 980,000	$ -	$ 980,000	$ -
U.S. government agency agency obligations	456,874,289	-	456,874,289	-
Repurchase agreements	222,258,000	-	222,258,000	-
Pension plan assets	2,564,455	-	2,252,249	312,206
Liabilities:				
Interest rate swap	236,536	-	-	236,536
Net fair value	$682,440,208	$ -	$682,364,538	$ 75,670

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.

Note 10. Fair Value Measurements *(Continued)*

Level 1 Fair Value Measurements

The fair value measurements are based on quoted market values. The Association holds no such investments at June 30, 2011.

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.

Level 3 Fair Value Measurements

The interest rate swap is not actively traded and significant other observable inputs are not available. The fair value of interest rate swap is valued by the holder of the swap using a proprietary pricing/valuation model to compute the fair value.

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 contacts 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):

	Interest Rate Swap Liability	**Pension Plan Assets (U.S. Property Separate Account)**
June 30, 2011		
Beginning balance	**$ 258,584**	**$ 258,644**
Investment return	**-**	**53,562**
Change in value	**(22,048)**	**-**
Ending balance	**$ 236,536**	**$ 312,206**

Changes in net assets for the year ended June 30, 2011 for the interest rate swap liability are reported as change in value of interest rate swap on the statement of activities. Changes in net assets for the year ended June 30, 2011 for the pension plan assets (U.S. property) are included in the change in accrued pension liability on the statement of activities.

Note 11. Net Assets

Net assets consisted of the following as of June 30, 2011:

Unrestricted net assets:	
Undesignated	**$2,021,794**
Board designated:	
Loss Reserve-ISCAP	**781,570**
Insurance Division Stabilization Reserve	**72,980**
Iowa Council of School Board Attorneys	**55,341**
Legal Service Fund	**34,969**
Total	**$2,966,654**
Temporarily restricted net assets:	
Restricted due to purpose:	
CLIK	**$ 10,294**
Total	**$ 10,294**

Subsequent to year end, the contributor redirected the CLIK-General restriction to be used for education sessions at the IASB 2012 Convention.

Note 12. Related Entity Transactions

ISEBA:

LGS has an agreement with ISEBA to provide administrative services at a rate of .50% of medical premiums, with a new third party administering the ISEBA program. ISEBA is considered a related party through common board membership. During the year ended June 30, 2011, LGS received $266,124 for administrative services for the ISEBA program. LGS paid commissions to IASB and ISEA in the amount of $51,215 to each entity. The amounts paid to IASB have been eliminated in the financial statements.

Note 13. 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, 2011 was $72,980.

Note 13. 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, 2011 was $34,969. The LSF amount has been classified under unrestricted net assets as designated by the Association's Board of Directors for the Legal Service Fund.

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, 2011 was $781,570. For the year ended June 30, 2011, $750,000 was used to provide collateral on the warrants issued to the school districts.

The Association has an unused letter of credit with a bank in the amount of $263,739. This letter of credit was established to protect the defined benefit plan from deficiencies that might arise as a result of payment of a single lump sum retirement benefit to a past employee. The expiration date of the letter is September 30, 2012. The bank has required the Association to establish an account with the bank to be used as collateral in the amount of $131,928.

Note 14. Commitments

Effective August 1, 2009, the Association was obligated to pay the former Executive Director $181,199 under a 'Hold Harmless Agreement' in regard to the pension plan freeze which took place in 2006. The Association is making semi-annual payments in the amount of $36,000 plus interest for each payment until September 2014. The remaining balance as of June 30, 2011 was $144,000.

Note 15. Expenses

Expenses incurred during the years ended June 30, 2011 by their natural classification were as follows:

	June 30, 2011		
	Program Services	**Supporting Services**	**Total**
Salaries, wages, and benefits	**$ 2,054,364**	**$ 844,701**	**$ 2,899,065**
Building operations	**1,840**	**242,315**	**244,155**
Depreciation and amortization	**91,182**	**103,699**	**194,881**
Professional fees, sponsorships, and marketing	**1,801,895**	**587,390**	**2,389,285**
Skills Iowa expenses	**2,614,942**	**290,549**	**2,905,491**
Program banking fees	**864,445**	**-**	**864,445**
Conventions and conferences	**319,310**	**126**	**319,436**
Travel	**148,355**	**17,453**	**165,808**
Interest	**-**	**98,625**	**98,625**
Other	**349,122**	**186,758**	**535,880**
	$ 8,245,455	**$ 2,371,616**	**$10,617,071**

Note 16. Comparative Totals

The amounts shown for 2010 in the accompanying financial statements are included to provide a basis for comparison with 2011 and are not intended to present all information necessary for a fair presentation in conformity with U.S. generally accepted accounting principles.

Note 17. Restatement

The Association has included the activity of the Iowa Council of School Board Attorneys "ICSBA" (a special committee of the Association) in the statement of financial position and statement of activities for the Association for the year ended June 30, 2011 and, therefore, the June 30, 2010 statement of financial position and statement of activities were restated to reflect the presentation. ICSBA was previously shown on the statement of financial position as an agency fund. Accordingly, the Association's beginning net assets for the year ended June 30, 2010 have been increased by $32,997 to reflect this change. For the years ended June 30, 2011 and 2010, this change increases the change in net assets by $1,612 and decreases the change in net assets by $939, respectively.

Note 18. Reclassifications

Certain 2010 amounts on the financial statements have been reclassified to conform to the 2011 classifications. Such reclassifications have no effect on the reported change in total net assets.

Note 19. Subsequent Events

Subsequent to year end, the Skills Iowa grant is no longer administered by IASB. The 2010-2011 Skills Iowa grant was administered by IASB through September 30, 2011. The grant provided overhead revenue of approximately $250,000.

Management has evaluated subsequent events through April 6, 2012, the date the audit report was available to be issued.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 1

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2011
With Comparative Totals for 2010

ASSETS	Iowa Association of School Boards & Subsidiary	Iowa Association of School Boards Foundation	Iowa Schools Joint Investment Trust	Iowa Schools Cash Anticipation Program	Eliminations	2011 Consolidating Totals	2010 Comparative Totals
Cash and cash equivalents	$ 1,356,126	$ 72,327	$ 4,271	$ 825,074	$ (825,074)	$ 1,432,724	$ 1,124,585
Assets held on behalf of others in an agency capacity:							
Cash - Iowa Schools Joint Investment Trust	-	-	1,523,545	-	-	1,523,545	2,276,957
Accrued interest receivable	-	-	655,069	-	-	655,069	1,750,747
Certificates of deposit	-	-	980,000	-	-	980,000	980,000
Repurchase agreements	-	-	222,258,000	-	-	222,258,000	126,050,000
U.S. government agency obligations	-	-	456,874,289	-	-	456,874,289	422,340,513
Demand deposits	-	-	-	-	-	-	35,058,411
U.S. treasury bills	-	-	-	-	-	-	2,999,644
Accounts receivable, net of allowance 2011: $131,508; 2010: $38,000	531,708	-	8,996	709	-	541,413	572,381
Accounts receivable - related entities	77,080	-	-	-	(77,080)	-	118,299
Contributions receivable	-	-	-	-	-	-	5,030
Office property and equipment, net	3,180,687	-	-	-	-	3,180,687	3,365,088
Other assets	5,000	-	-	-	-	5,000	6,828
Total assets	$ 5,150,601	$ 72,327	$ 682,304,170	$ 825,783	$ (902,154)	$ 687,450,727	$ 596,648,483
LIABILITIES							
Accounts payable	$ 232,440	$ -	$ 21,516	$ -	$ (25,443)	$ 228,513	$ 1,018,961
Accounts payable - related entities	-	-	-	-	-	-	292,320
Due to IASB	-	15,815	-	30,471	(46,286)	-	-
Due to LGS	-	5,351	-	-	(5,351)	-	-
Deferred revenue	336,816	50,000	-	-	-	386,816	317,740
Interest rate swap	236,536	-	-	-	-	236,536	258,584
Accrued wages	185,847	-	-	-	-	185,847	340,041
Accrued vacation	64,177	-	-	-	-	64,177	42,062
Accrued interest	1,329	-	-	-	-	1,329	5,699
Accrued property taxes	103,332	-	-	-	-	103,332	103,200
	$ 1,160,477	$ 71,166	$ 21,516	$ 30,471	$ (77,080)	$ 1,206,550	$ 2,378,607
Agency fund - held in trust for participants in ISJIT	$ -	$ -	$ 682,290,903	$ -	$ (825,074)	$ 681,465,829	$ 589,571,817
Accrued pension benefit liability	$ 693,410	$ -	$ -	$ -	$ -	$ 693,410	$ 795,684
Mortgage payable	$ 1,107,990	$ -	$ -	$ -	$ -	$ 1,107,990	$ 1,133,520
Total liabilities	$ 2,961,877	$ 71,166	$ 682,312,419	$ 30,471	$ (902,154)	$ 684,473,779	$ 593,879,628
NET ASSETS AND ACCUMULATED (DEFICIT)							
Unrestricted	$ 6,531,140	$ (9,133)	$ (8,249)	$ 795,312	$ -	$ 7,309,070	$ 7,208,444
Accumulated (deficit)	(4,342,416)	-	-	-	-	(4,342,416)	(4,458,047)
Temporarily restricted	-	10,294	-	-	-	10,294	18,458
Total net assets and accumulated (deficit)	$ 2,188,724	$ 1,161	$ (8,249)	$ 795,312	$ -	$ 2,976,948	$ 2,768,855
Total liabilities, net assets, and accumulated (deficit)	$ 5,150,601	$ 72,327	$ 682,304,170	$ 825,783	$ (902,154)	$ 687,450,727	$ 596,648,483

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 2

CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2011
With Comparative Totals for 2010

	Unrestricted					Temporarily Restricted					
	Iowa Association of School Boards & Subsidiary	Iowa Association of School Boards Foundation	Iowa Schools Joint Investment Trust	Iowa Schools Cash Anticipation Program	Totals	Iowa Association of School Boards & Subsidiary	Iowa Association of School Boards Foundation	Totals	Eliminations	2011 Consolidating Totals	2010 Comparative Totals
REVENUES											
Memberships	$ 1,208,584	$ -	$ -	$ -	$ 1,208,584	$ -	$ -	$ -	$ -	$ 1,208,584	$ 1,292,248
Publications, forms and materials	190,155	-	-	-	190,155	-	-	-	-	190,155	223,995
Convention and conferences	507,481	-	-	-	507,481	-	-	-	-	507,481	481,697
Consulting services	12,771	-	-	-	12,771	-	-	-	(2,000)	10,771	28,920
Professional services	272,033	-	-	-	272,033	-	-	-	-	272,033	300,072
Contributions	-	1,700	-	-	1,700	-	-	-	-	1,700	5,335
Administrative services	1,402,713	-	-	44,020	1,446,733	-	-	-	(155,272)	1,291,461	1,704,185
Online payment services	2,133,077	-	-	-	2,133,077	-	-	-	-	2,133,077	2,048,578
Sponsorships	319,843	-	-	-	319,843	-	-	-	(58,420)	261,423	242,437
Risk management and insurance program	526,446	-	-	-	526,446	-	-	-	-	526,446	507,489
Grants	3,345,246	50,000	-	-	3,395,246	-	-	-	-	3,395,246	3,428,090
Rental income	127,658	-	-	-	127,658	-	-	-	-	127,658	118,349
Net assets released from restrictions satisfied by payments	1,134	7,030	-	-	8,164	(1,134)	(7,030)	(8,164)	-	-	-
Total revenues	$ 10,047,141	$ 58,730	$ -	$ 44,020	$ 10,149,891	$ (1,134)	$ (7,030)	$ (8,164)	$ (215,692)	$ 9,926,035	$ 10,381,395
EXPENSES											
Salaries	$ 2,341,316	$ -	$ -	$ -	$ 2,341,316	$ -	$ -	$ -	$ -	$ 2,341,316	$ 3,302,933
Payroll taxes	180,716	-	-	-	180,716	-	-	-	-	180,716	207,921
Retirement benefits	151,975	-	-	-	151,975	-	-	-	-	151,975	388,449
Program management	-	13,237	323,035	-	336,272	-	-	-	(13,237)	323,035	354,094
Staff development	4,010	-	-	-	4,010	-	-	-	-	4,010	8,647
Marketing	12,017	-	144,036	-	156,053	-	-	-	-	156,053	10,018
Travel	165,546	147	-	115	165,808	-	-	-	-	165,808	209,538
Building operations	244,155	-	-	-	244,155	-	-	-	-	244,155	305,366
Equipment and computers	82,071	-	-	-	82,071	-	-	-	-	82,071	114,730
Depreciation and amortization	194,591	-	-	-	194,591	-	-	-	-	194,591	383,468
Office supplies	46,375	1,298	-	290	47,963	-	-	-	-	47,963	80,317
Cartage and postage	15,330	142	-	-	15,472	-	-	-	-	15,472	32,575
Telephone	36,864	37	-	-	36,901	-	-	-	-	36,901	39,970
Investment advisory fees	-	-	206,768	-	206,768	-	-	-	-	206,768	231,546
Professional fees	1,453,426	3,900	52,441	30,369	1,540,136	-	-	-	(144,035)	1,396,101	2,501,719
Skills Iowa expenses	2,905,491	-	-	-	2,905,491	-	-	-	-	2,905,491	2,742,821
Rating service	-	-	14,910	-	14,910	-	-	-	-	14,910	77,032
Sponsorship fees	292,418	-	58,420	-	350,838	-	-	-	(58,420)	292,418	437,228
Insurance	221,638	1,710	-	1,710	225,058	-	-	-	-	225,058	303,827
Printing	14,820	212	-	-	15,032	-	-	-	-	15,032	31,715
Reference materials	6,925	-	-	-	6,925	-	-	-	-	6,925	9,782
Dues	89,931	10	-	-	89,941	-	-	-	-	89,941	89,426
Conventions and conferences	319,436	-	-	-	319,436	-	-	-	-	319,436	294,771
Interest	98,625	-	-	-	98,625	-	-	-	-	98,625	105,640
Web hosting, registration and internet	49,040	-	-	-	49,040	-	-	-	-	49,040	44,888
Contributions	-	44,115	-	-	44,115	-	-	-	-	44,115	45,225
Assistance to members	5,040	-	-	-	5,040	-	-	-	-	5,040	13,060
Miscellaneous	129,097	-	10,417	146	139,660	-	-	-	-	139,660	43,037
Program banking fees	864,445	-	-	-	864,445	-	-	-	-	864,445	794,587
Total expenses	$ 9,925,298	$ 64,808	$ 810,027	$ 32,630	$ 10,832,763	$ -	$ -	$ -	$ (215,692)	$ 10,617,071	$ 13,204,330
OTHER REVENUE (EXPENSE)											
Interest income	$ 5,188	$ 62	$ -	$ 933	$ 6,183	$ -	$ -	$ -	$ -	$ 6,183	$ 4,812
Other income	-	-	30,113	-	30,113	-	-	-	-	30,113	25,477
Investment income	-	-	1,304,545	-	1,304,545	-	-	-	-	1,304,545	1,568,785
Dividends issued to participants in ISJIT	-	-	(572,274)	-	(572,274)	-	-	-	-	(572,274)	(636,642)
Change in value of interest rate swap	22,048	-	-	-	22,048	-	-	-	-	22,048	(51,083)
Change in accrued pension liability	102,274	-	-	-	102,274	-	-	-	-	102,274	496,775
Loss on discontinued software	-	-	-	-	-	-	-	-	-	-	(66,708)
Gain on the sale of assets	1,289	-	-	-	1,289	-	-	-	-	1,289	-
Gain on cost of issuance	-	-	-	4,951	4,951	-	-	-	-	4,951	17,337
Total other revenue	$ 130,799	$ 62	$ 762,384	$ 5,884	$ 899,129	$ -	$ -	$ -	$ -	$ 899,129	$ 1,358,753
Change in net assets	$ 252,642	$ (6,016)	$ (47,643)	$ 17,274	$ 216,257	$ (1,134)	$ (7,030)	$ (8,164)	$ -	$ 208,093	$ (1,464,182)
Net assets (deficit) at beginning of year	1,936,082	(3,117)	39,394	778,038	2,750,397	1,134	17,324	18,458	-	2,768,855	4,233,037
Net assets at end of year	$ 2,188,724	$ (9,133)	$ (8,249)	$ 795,312	$ 2,966,654	$ -	$ 10,294	$ 10,294	$ -	$ 2,976,948	$ 2,768,855

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 3

CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended June 30, 2011
With Comparative Totals for 2010

	Iowa Association of School Boards & Subsidiary	Iowa Association of School Boards Foundation	Iowa Schools Joint Investment Trust	Iowa Schools Cash Anticipation Program	Eliminations	2011 Consolidating Totals	2010 Comparative Totals
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in net assets	$ 251,508	$ (13,046)	$ (47,643)	$ 17,274	$ -	$ 208,093	$ (1,464,182)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:							
Depreciation and amortization	194,591	-	-	-	-	194,591	383,468
Swap liability	(22,048)	-	-	-	-	(22,048)	51,083
Change in assets and liabilities:							
(Increase) decrease in assets:							
Accounts receivable	764,195	-	(7,891)	(699)	(609,241)	146,364	85,609
Pledges receivable	-	5,030	-	-	-	5,030	(5,030)
Accrued interest receivable	(8,628)	-	-	-	-	(8,628)	(9,035)
Other assets	1,828	-	-	-	-	1,828	64,504
Increase (decrease) in liabilities:							
Agency funds	-	-	(1,059,381)	-	1,059,381	-	996
Due to IASB	-	(2,959)	(2,589)	(394,507)	400,055	-	-
Due to LGS	-	(5,774)	-	(203,412)	209,186	-	-
Accounts payable	(594,863)	(4,733)	(2,232)	(478,037)	-	(1,079,865)	713,033
Accrued property taxes	132	-	-	-	-	132	(712)
Accrued interest	4,258	-	-	-	-	4,258	8,798
Accrued wages	(154,194)	-	-	-	-	(154,194)	340,041
Accrued vacation	22,115	-	-	-	-	22,115	(5,918)
Accrued pension liability	(102,274)	-	-	-	-	(102,274)	(496,775)
Deferred revenue	19,076	50,000	-	-	-	69,076	(329,546)
Net cash provided by (used in) operating activities	$ 375,696	$ 28,518	$ (1,119,736)	$ (1,059,381)	$ 1,059,381	$ (715,522)	$ (663,666)
CASH FLOWS FROM INVESTING ACTIVITIES							
Amounts expended for computer software	$ -	$ -	$ -	$ -	$ -	$ -	$ (4,800)
Purchase of property and equipment	(10,190)	-	-	-	-	(10,190)	(40,460)
Net cash (used in) investing activities	$ (10,190)	$ -	$ -	$ -	$ -	$ (10,190)	$ (45,260)
CASH FLOWS FROM FINANCING ACTIVITIES							
Issuance of units to ISCAP	$ -	$ -	$ 1,059,381	$ -	$ -	$ 1,059,381	$ 72,519
Principal payments on notes payable	(25,530)	-	-	-	-	(25,530)	(23,550)
Net cash (used in) provided by financing activities	$ (25,530)	$ -	$ 1,059,381	$ -	$ -	$ 1,033,851	$ 48,969
Net increase (decrease) in cash and cash equivalents	$ 339,976	$ 28,518	$ (60,355)	$ (1,059,381)	$ 1,059,381	$ 308,139	$ (659,957)
Cash and cash equivalents at beginning of year	1,016,150	43,809	64,626	1,884,455	(1,884,455)	1,124,585	1,784,542
Cash and cash equivalents at end of year	$ 1,356,126	$ 72,327	$ 4,271	$ 825,074	$ (825,074)	$ 1,432,724	$ 1,124,585
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION							
Cash payments for interest	$ 102,995	$ -	$ -	$ -	$ -	$ 102,995	$ 105,883

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, 2011
With Comparative Totals for 2010

ASSETS	Iowa Association of School Boards	Local Government Services, Inc.	Eliminations	2011 Consolidating Totals	2010 Comparative Totals
Cash and cash equivalents	$ 478,760	$ 877,366	$ -	$ 1,356,126	$ 1,016,150
Accounts receivable, net of allowance 2011: $131,508; 2010: $38,000	374,735	156,973	-	531,708	571,266
Accounts receivable - related entities	56,824	20,256	-	77,080	801,717
Loan to LGS	5,756,319	-	(5,756,319)	-	-
Accrued interest receivable	74,428	-	(74,428)	-	-
Note receivable	769,172	-	(769,172)	-	-
Office property and equipment, net	-	3,180,687	-	3,180,687	3,365,088
Other assets	5,000	-	-	5,000	6,828
Total assets	$ 7,515,238	$ 4,235,282	$ (6,599,919)	$ 5,150,601	$ 5,761,049
LIABILITIES					
Accounts payable	$ 48,459	$ 183,981	$ -	$ 232,440	$ 534,983
Accounts payable - related entities	-	-	-	-	292,320
Loan from IASB	-	5,756,319	(5,756,319)	-	-
Deferred revenue	336,816	-	-	336,816	317,740
Interest rate swap	-	236,536	-	236,536	258,584
Accrued wages	144,000	41,847	-	185,847	340,041
Accrued vacation	42,423	21,754	-	64,177	42,062
Accrued interest	-	75,757	(74,428)	1,329	5,699
Accrued property taxes	-	103,332	-	103,332	103,200
	$ 571,698	$ 6,419,526	$ (5,830,747)	$ 1,160,477	$ 1,894,629
Accrued pension benefit liability	$ 693,410	$ -	$ -	$ 693,410	$ 795,684
Mortgage payable:					
Mortgage payable - U.S. Bank	$ -	$ 1,107,990	$ -	$ 1,107,990	$ 1,133,520
Mortgage payable - IASB	-	769,172	(769,172)	-	-
	$ -	$ 1,877,162	$ (769,172)	$ 1,107,990	$ 1,133,520
Total liabilities	$ 1,265,108	$ 8,296,688	$ (6,599,919)	$ 2,961,877	$ 3,823,833
NET ASSETS AND ACCUMULATED (DEFICIT)					
Unrestricted	$ 6,250,130	$ -	$ 281,010	$ 6,531,140	$ 6,394,129
Common stock	-	281,010	(281,010)	-	-
Accumulated (deficit)	-	(4,342,416)	-	(4,342,416)	(4,458,047)
Temporarily restricted	-	-	-	-	1,134
Total net assets and accumulated (deficit)	$ 6,250,130	$ (4,061,406)	$ -	$ 2,188,724	$ 1,937,216
Total liabilities and net assets and accumulated (deficit)	$ 7,515,238	$ 4,235,282	$ (6,599,919)	$ 5,150,601	$ 5,761,049

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 5

CONSOLIDATING STATEMENT OF ACTIVITIES FOR
IOWA ASSOCIATION OF SCHOOL BOARDS & SUBSIDIARY
Year Ended June 30, 2011
With Comparative Totals for 2010

	Unrestricted				Temporarily Restricted		
	Iowa Association of School Boards	Local Government Services, Inc.	Eliminations	Consolidated Totals	Iowa Association of School Boards	2011 Consolidated Totals	2010 Comparative Totals
REVENUES							
Memberships	$ 1,208,584	$ -	$ -	$ 1,208,584	$ -	$ 1,208,584	$ 1,292,248
Publications, forms and materials	189,504	651	-	190,155	-	190,155	223,995
Convention and conferences	507,481	-	-	507,481	-	507,481	481,697
Consulting services	12,771	-	-	12,771	-	12,771	28,920
Professional services	272,033	-	-	272,033	-	272,033	291,495
Administrative services	-	1,610,713	(208,000)	1,402,713	-	1,402,713	2,125,629
Online payment services	-	2,133,077	-	2,133,077	-	2,133,077	2,048,578
Sponsorships	577,866	-	(258,023)	319,843	-	319,843	578,819
Risk management and insurance program	526,446	-	-	526,446	-	526,446	507,489
Grants	3,345,246	-	-	3,345,246	-	3,345,246	3,368,090
Rental income	-	377,658	(250,000)	127,658	-	127,658	118,349
Net assets released from restrictions satisfied by payments	1,134	-	-	1,134	(1,134)	-	-
Total revenues	$ 6,641,065	$ 4,122,099	$ (716,023)	$ 10,047,141	$ (1,134)	$ 10,046,007	$ 11,065,309
EXPENSES							
Salaries	$ 1,352,518	$ 988,798	$ -	$ 2,341,316	$ -	$ 2,341,316	$ 3,302,933
Payroll taxes	109,781	70,935	-	180,716	-	180,716	207,921
Retirement benefits	97,388	54,587	-	151,975	-	151,975	388,449
Staff development	4,010	-	-	4,010	-	4,010	8,647
Marketing	-	12,017	-	12,017	-	12,017	10,018
Travel	154,809	10,737	-	165,546	-	165,546	209,538
Building operations	262,270	231,885	(250,000)	244,155	-	244,155	305,366
Equipment and computers	-	82,071	-	82,071	-	82,071	114,730
Depreciation and amortization	2,555	192,036	-	194,591	-	194,591	383,468
Office supplies	35,482	10,893	-	46,375	-	46,375	78,529
Cartage and postage	12,377	2,953	-	15,330	-	15,330	31,787
Telephone	19,622	17,242	-	36,864	-	36,864	39,950
Professional fees	981,507	679,919	(208,000)	1,453,426	-	1,453,426	1,711,167
Skills Iowa expenses	2,905,491	-	-	2,905,491	-	2,905,491	2,742,821
Sponsorship fees	-	550,441	(258,023)	292,418	-	292,418	436,728
Insurance	140,134	81,504	-	221,638	-	221,638	299,787
Printing	14,556	264	-	14,820	-	14,820	31,022
Reference materials	6,859	66	-	6,925	-	6,925	9,782
Dues	89,931	-	-	89,931	-	89,931	89,426
Conventions and conferences	318,176	1,260	-	319,436	-	319,436	294,771
Interest	-	133,669	(35,044)	98,625	-	98,625	105,640
Web hosting, registration and internet	3,399	45,641	-	49,040	-	49,040	44,088
Assistance to members	5,040	-	-	5,040	-	5,040	13,060
Miscellaneous	127,033	2,064	-	129,097	-	129,097	32,196
Program banking fees	-	864,445	-	864,445	-	864,445	794,587
Total expenses	$ 6,642,938	$ 4,033,427	$ (751,067)	$ 9,925,298	$ -	$ 9,925,298	$ 11,686,411
OTHER REVENUE (EXPENSE)							
Interest income	$ 36,610	$ 3,622	$ (35,044)	$ 5,188	$ -	$ 5,188	$ 2,429
Change in value of interest rate swap	-	22,048	-	22,048	-	22,048	(51,083)
Change in accrued pension liability	102,274	-	-	102,274	-	102,274	496,775
Gain on the sale of assets	-	1,289	-	1,289	-	1,289	-
Loss on discontinued software	-	-	-	-	-	-	(66,708)
Total other revenue	$ 138,884	$ 26,959	$ (35,044)	$ 130,799	$ -	$ 130,799	$ 381,413
Change in net assets and net income (loss)	$ 137,011	$ 115,631	$ -	$ 252,642	$ (1,134)	$ 251,508	$ (239,689)
Net assets (loss) at beginning of year	6,113,119	(4,458,047)	281,010	1,936,082	1,134	1,937,216	2,176,905
Net assets (loss) at end of year	$ 6,250,130	$ (4,342,416)	$ 281,010	$ 2,188,724	$ -	$ 2,188,724	$ 1,937,216

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, 2011
With Comparative Totals for 2010

	Iowa Association of School Boards	Local Government Services, Inc.	Eliminations	2011 Consolidating Totals	2010 Comparative Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets and net income (loss)	$ 135,877	$ 115,631	$ -	$ 251,508	$ (239,689)
Adjustments to reconcile the change in net assets and net income (loss) to net cash (used in) provided by operating activities:					
Depreciation and amortization	2,555	192,036	-	194,591	383,468
Swap liability	-	(22,048)	-	(22,048)	51,083
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	505,356	258,839	-	764,195	(428,414)
Accrued interest receivable	(4,314)	-	(4,314)	(8,628)	(9,035)
Other assets	1,174	654	-	1,828	64,504
Increase (decrease) in liabilities:					
Accounts payable	(631,178)	36,315	-	(594,863)	212,510
Accrued property taxes	-	132	-	132	(712)
Accrued interest	-	(56)	4,314	4,258	8,798
Accrued wages	(60,927)	(93,267)	-	(154,194)	340,041
Accrued vacation	13,706	8,409	-	22,115	(5,918)
Accrued pension liability	(102,274)	-	-	(102,274)	(496,775)
Deferred revenue	21,916	(2,840)	-	19,076	(260,638)
Net cash (used in) provided by operating activities	$ (118,109)	$ 493,805	$ -	$ 375,696	$ (380,777)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds received from borrowings to LGS	$ 717,512	$ -	$ (717,512)	$ -	$ -
Loans to LGS	(828,080)	-	828,080	-	-
Amounts expended for computer software	-	-	-	-	(4,800)
Purchase of property and equipment	-	(10,190)	-	(10,190)	(40,460)
Net cash (used in) investing activities	$ (110,568)	$ (10,190)	$ 110,568	$ (10,190)	$ (45,260)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings from IASB	$ -	$ 828,080	$ (828,080)	$ -	$ -
Payments on borrowings from IASB	-	(717,512)	717,512	-	-
Principal payments on notes payable	-	(25,530)	-	(25,530)	(23,550)
Net cash provided by (used in) financing activities	$ -	$ 85,038	$ (110,568)	$ (25,530)	$ (23,550)
Net (decrease) increase in cash and cash equivalents	$ (228,677)	$ 568,653	$ -	$ 339,976	$ (449,587)
Cash and cash equivalents at beginning of year	707,437	308,713	-	1,016,150	1,465,737
Cash and cash equivalents at end of year	$ 478,760	$ 877,366	$ -	$ 1,356,126	$ 1,016,150
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION					
Cash payments for interest	$ -	$ 133,725	$ (30,730)	$ 102,995	$ 105,883

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 7

CONSOLIDATING STATEMENT OF FINANCIAL POSITION FOR
IOWA ASSOCIATION OF SCHOOL BOARDS & SUBSIDIARY AND
IOWA ASSOCIATION OF SCHOOL BOARDS FOUNDATION
June 30, 2011

ASSETS	Iowa Association of School Boards	Local Government Services, Inc.	Eliminations	Iowa Association of School Boards & Subsidiary	Iowa Association of School Boards Foundation	Eliminations	Consolidating Totals
Cash and cash equivalents	$ 478,760	$ 877,366	$ -	$ 1,356,126	$ 72,327	$ -	$ 1,428,453
Accounts receivable, net of allowance 2011: $131,508; 2010: $38,000	374,735	156,973	-	531,708	-	-	531,708
Accounts receivable - related entities	56,824	20,256	-	77,080	-	(21,166)	55,914
Loan to LGS	5,756,319	-	(5,756,319)	-	-	-	-
Accrued interest receivable	74,428	-	(74,428)	-	-	-	-
Note receivable	769,172	-	(769,172)	-	-	-	-
Office property and equipment, net	-	3,180,687	-	3,180,687	-	-	3,180,687
Other assets	5,000	-	-	5,000	-	-	5,000
Total assets	$ 7,515,238	$ 4,235,282	$ (6,599,919)	$ 5,150,601	$ 72,327	$ (21,166)	$ 5,201,762
LIABILITIES							
Accounts payable	$ 48,459	$ 183,981	$ -	$ 232,440	$ -	$ -	$ 232,440
Due to IASB	-	5,756,319	(5,756,319)	-	15,815	(15,815)	-
Due to LGS	-	-	-	-	5,351	(5,351)	-
Deferred revenue	336,816	-	-	336,816	50,000	-	386,816
Interest rate swap	-	236,536	-	236,536	-	-	236,536
Accrued wages	144,000	41,847	-	185,847	-	-	185,847
Accrued vacation	42,423	21,754	-	64,177	-	-	64,177
Accrued interest	-	75,757	(74,428)	1,329	-	-	1,329
Accrued property taxes	-	103,332	-	103,332	-	-	103,332
	$ 571,698	$ 6,419,526	$ (5,830,747)	$ 1,160,477	$ 71,166	$ (21,166)	$ 1,210,477
Accrued pension benefit liability	$ 693,410	$ -	$ -	$ 693,410	$ -	$ -	$ 693,410
Mortgage payable:							
Mortgage payable - U.S. Bank	$ -	$ 1,107,990	$ -	$ 1,107,990	$ -	$ -	$ 1,107,990
Mortgage payable - IASB	-	769,172	(769,172)	-	-	-	-
	$ -	$ 1,877,162	$ (769,172)	$ 1,107,990	$ -	$ -	$ 1,107,990
Total liabilities	$ 1,265,108	$ 8,296,688	$ (6,599,919)	$ 2,961,877	$ 71,166	$ (21,166)	$ 3,011,877
NET ASSETS AND ACCUMULATED (DEFICIT)							
Unrestricted	$ 6,250,130	$ -	$ 281,010	$ 6,531,140	$ (9,133)	$ -	$ 6,522,007
Common stock	-	281,010	(281,010)	-	-	-	-
Accumulated (deficit)	-	(4,342,416)	-	(4,342,416)	-	-	(4,342,416)
Temporarily restricted	-	-	-	-	10,294	-	10,294
Total net assets and accumulated (deficit)	$ 6,250,130	$ (4,061,406)	$ -	$ 2,188,724	$ 1,161	$ -	$ 2,189,885
Total liabilities and net assets and accumulated (deficit)	$ 7,515,238	$ 4,235,282	$ (6,599,919)	$ 5,150,601	$ 72,327	$ (21,166)	$ 5,201,762

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 8

CONSOLIDATING STATEMENT OF ACTIVITIES FOR
IOWA ASSOCIATION OF SCHOOL BOARDS & SUBSIDIARY AND
IOWA ASSOCIATION OF SCHOOL BOARDS FOUNDATION
Year Ended June 30, 2011

	Unrestricted							Temporarily Restricted		
	Iowa Association of School Boards	Local Government Services, Inc.	Eliminations	Iowa Association of School Boards & Subsidiary	Iowa Association of School Boards Foundation	Eliminations	Consolidating Totals	Iowa Association of School Boards	Iowa Association of School Boards Foundation	Consolidating Totals
REVENUES										
Memberships	$ 1,208,584	$ -	$ -	$ 1,208,584	$ -	$ -	$ 1,208,584	$ -	$ -	$ -
Publications, forms and materials	189,504	651	-	190,155	-	-	190,155	-	-	-
Convention and conferences	507,481	-	-	507,481	-	-	507,481	-	-	-
Consulting services	12,771	-	-	12,771	-	(2,000)	10,771	-	-	-
Professional services	272,033	-	-	272,033	-	-	272,033	-	-	-
Contributions	-	-	-	-	1,700	-	1,700	-	-	-
Administrative services	-	1,610,713	(208,000)	1,402,713	-	(11,237)	1,391,476	-	-	-
Online payment services	-	2,133,077	-	2,133,077	-	-	2,133,077	-	-	-
Sponsorships	577,866	-	(258,023)	319,843	-	-	319,843	-	-	-
Risk management and insurance program	526,446	-	-	526,446	-	-	526,446	-	-	-
Grants	3,345,246	-	-	3,345,246	50,000	-	3,395,246	-	-	-
Rental income	-	377,658	(250,000)	127,658	-	-	127,658	-	-	-
Net assets released from restrictions satisfied by payments	1,134	-	-	1,134	7,030	-	8,164	(1,134)	(7,030)	(8,164)
Total revenues	$ 6,641,065	$ 4,122,099	$ (716,023)	$ 10,047,141	$ 58,730	$ (13,237)	$ 10,092,634	$ (1,134)	$ (7,030)	$ (8,164)
EXPENSES										
Salaries	$ 1,352,518	$ 988,798	$ -	$ 2,341,316	$ -	$ -	$ 2,341,316	$ -	$ -	$ -
Payroll taxes	109,781	70,935	-	180,716	-	-	180,716	-	-	-
Retirement benefits	97,388	54,587	-	151,975	-	-	151,975	-	-	-
Program management	-	-	-	-	13,237	(13,237)	-	-	-	-
Staff development	4,010	-	-	4,010	-	-	4,010	-	-	-
Marketing	-	12,017	-	12,017	-	-	12,017	-	-	-
Travel	154,809	10,737	-	165,546	147	-	165,693	-	-	-
Building operations	262,270	231,885	(250,000)	244,155	-	-	244,155	-	-	-
Equipment and computers	-	82,071	-	82,071	-	-	82,071	-	-	-
Depreciation and amortization	2,555	192,036	-	194,591	-	-	194,591	-	-	-
Office supplies	35,482	10,893	-	46,375	1,298	-	47,673	-	-	-
Cartage and postage	12,377	2,953	-	15,330	142	-	15,472	-	-	-
Telephone	19,622	17,242	-	36,864	37	-	36,901	-	-	-
Professional fees	981,507	679,919	(208,000)	1,453,426	3,900	-	1,457,326	-	-	-
Skills Iowa expenses	2,905,491	-	-	2,905,491	-	-	2,905,491	-	-	-
Sponsorship fees	-	550,441	(258,023)	292,418	-	-	292,418	-	-	-
Insurance	140,134	81,504	-	221,638	1,710	-	223,348	-	-	-
Printing	14,556	264	-	14,820	212	-	15,032	-	-	-
Reference materials	6,859	66	-	6,925	-	-	6,925	-	-	-
Dues	89,931	-	-	89,931	10	-	89,941	-	-	-
Conventions and conferences	318,176	1,260	-	319,436	-	-	319,436	-	-	-
Interest	-	133,669	(35,044)	98,625	-	-	98,625	-	-	-
Web hosting, registration and internet	3,399	45,641	-	49,040	-	-	49,040	-	-	-
Contributions	-	-	-	-	44,115	-	44,115	-	-	-
Assistance to members	5,040	-	-	5,040	-	-	5,040	-	-	-
Miscellaneous	127,033	2,064	-	129,097	-	-	129,097	-	-	-
Program banking fees	-	864,445	-	864,445	-	-	864,445	-	-	-
Total expenses	$ 6,642,938	$ 4,033,427	$ (751,067)	$ 9,925,298	$ 64,808	$ (13,237)	$ 9,976,869	$ -	$ -	$ -
OTHER REVENUE										
Interest income	$ 36,610	$ 3,622	$ (35,044)	$ 5,188	$ 62	$ -	$ 5,250	$ -	$ -	$ -
Change in value of interest rate swap	-	22,048	-	22,048	-	-	22,048	-	-	-
Change in accrued pension liability	102,274	-	-	102,274	-	-	102,274	-	-	-
Gain on the sale of assets	-	1,289	-	1,289	-	-	1,289	-	-	-
Total other revenue	$ 138,884	$ 26,959	$ (35,044)	$ 130,799	$ 62	$ -	$ 130,861	$ -	$ -	$ -
Change in net assets and net income	$ 137,011	$ 115,631	$ -	$ 252,642	$ (6,016)	$ -	$ 246,626	$ (1,134)	$ (7,030)	$ (8,164)
Net assets (deficit) at beginning of year	6,113,119	(4,458,047)	281,010	1,936,082	(3,117)	-	1,932,965	1,134	17,324	18,458
Net assets (deficit) at end of year	$ 6,250,130	$ (4,342,416)	$ 281,010	$ 2,188,724	$ (9,133)	$ -	$ 2,179,591	$ -	$ 10,294	$ 10,294

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 9

CONSOLIDATING STATEMENT OF CASH FLOWS FOR
IOWA ASSOCIATION OF SCHOOL BOARDS & SUBSIDIARY AND
IOWA ASSOCIATION OF SCHOOL BOARDS FOUNDATION
Year Ended June 30, 2011

	Iowa Association of School Boards	Local Government Services, Inc.	Eliminations	Iowa Association of School Boards & Subsidiary	Iowa Association of School Boards Foundation	Eliminations	Consolidating Totals
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in net assets and net income	$ 135,877	$ 115,631	$ -	$ 251,508	$ (13,046)	$ -	$ 238,462
Adjustments to reconcile the change in net assets and net income to net cash (used in) provided by operating activities:							
Depreciation and amortization	2,555	192,036	-	194,591	-	-	194,591
Swap liability	-	(22,048)	-	(22,048)	-	-	(22,048)
Change in assets and liabilities:							
(Increase) decrease in assets:							
Accounts receivable	505,356	258,839	-	764,195	-	(102,680)	661,515
Pledges receivable	-	-	-	-	5,030	-	5,030
Accrued interest receivable	(4,314)	-	(4,314)	(8,628)	-	-	(8,628)
Other assets	1,174	654	-	1,828	-	-	1,828
Increase (decrease) in liabilities:							
Due to IASB	-	-	-	-	(2,959)	98,101	95,142
Due to LGS	-	-	-	-	(5,774)	4,579	(1,195)
Accounts payable	(631,178)	36,315	-	(594,863)	(4,733)	-	(599,596)
Accrued property taxes	-	132	-	132	-	-	132
Accrued interest	-	(56)	4,314	4,258	-	-	4,258
Accrued wages	(60,927)	(93,267)	-	(154,194)	-	-	(154,194)
Accrued vacation	13,706	8,409	-	22,115	-	-	22,115
Accrued pension liability	(102,274)	-	-	(102,274)	-	-	(102,274)
Deferred revenue	21,916	(2,840)	-	19,076	50,000	-	69,076
Net cash (used in) provided by operating activities	$ (118,109)	$ 493,805	$ -	$ 375,696	$ 28,518	$ -	$ 404,214
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds received from borrowings to LGS	$ 717,512	$ -	$ (717,512)	$ -	$ -	$ -	$ -
Loans to LGS	(828,080)	-	828,080	-	-	-	-
Purchase of property and equipment	-	(10,190)	-	(10,190)	-	-	(10,190)
Net cash (used in) investing activities	$ (110,568)	$ (10,190)	$ 110,568	$ (10,190)	$ -	$ -	$ (10,190)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from borrowings from IASB	$ -	$ 828,080	$ (828,080)	$ -	$ -	$ -	$ -
Payments on borrowings from IASB	-	(717,512)	717,512	-	-	-	-
Principal payments on notes payable	-	(25,530)	-	(25,530)	-	-	(25,530)
Net cash provided by (used in) financing activities	$ -	$ 85,038	$ (110,568)	$ (25,530)	$ -	$ -	$ (25,530)
Net (decrease) increase in cash and cash equivalents	$ (228,677)	$ 568,653	$ -	$ 339,976	$ 28,518	$ -	$ 368,494
Cash and cash equivalents at beginning of year	707,437	308,713	-	1,016,150	43,809	-	1,059,959
Cash and cash equivalents at end of year	$ 478,760	$ 877,366	$ -	$ 1,356,126	$ 72,327	$ -	$ 1,428,453
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION							
Cash payments for interest	$ -	$ 133,725	$ (30,730)	$ 102,995	$ -	$ -	$ 102,995

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER INFORMATION

YEAR ENDED JUNE 30, 2011

C O N T E N T S

Brooks Lodden P.C.
certified public accountants

Telford A. Lodden, CPA, CFP®, CVA, Shareholder
Bruce W. Hartley, CPA, Shareholder
John E. Lamale, CPA, Shareholder
Brent L. Alexander, CPA, Shareholder

INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the consolidated financial statements of Iowa Association of School Boards (the Association) as of and for the year ended June 30, 2011. We have issued our report thereon dated April 6, 2012. The financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on the financial statements based on our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Brooks Lodden, P.C.

West Des Moines, Iowa
April 6, 2012

1441 29th Street, Suite 305 • West Des Moines, IA 50266 • Phone: 515.223.7300 • Fax: 515.223.8778

IOWA ASSOCIATION OF SCHOOL BOARDS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Direct:		
U.S. Department of Education:		
Fund for the improvement of education-Skills Iowa	**84.215K**	**$ 3,345,246**
Total U.S. Department of Education		**$ 3,345,246**

Note 1 - Basis of Presentation - The schedule of expenditures of federal awards includes the federal grant activity of the Iowa Association of School Boards and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations.* Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reporting on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organziation* , wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Brooks Lodden P.C.
certified public accountants

Telford A. Lodden, CPA, CFP®, CVA, Shareholder
Bruce W. Hartley, CPA, Shareholder
John E. Lamale, CPA, Shareholder
Brent L. Alexander, CPA, Shareholder

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*

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) as of and for the year ended June 30, 2011, and have issued our report thereon dated April 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies as well as material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as II-A-2011 through II-E-2011 to be significant deficiencies as well as material weaknesses.

1441 29th Street, Suite 305 • West Des Moines, IA 50266 • Phone: 515.223.7300 • Fax: 515.223.8778

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Association in a separate letter dated April 6, 2012.

The Association's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Association's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Brooks Lodden, P.C.

West Des Moines, Iowa
April 6, 2012

Brooks Lodden P.C.
certified public accountants

Telford A. Lodden, CPA, CFP®, CVA, Shareholder
Bruce W. Hartley, CPA, Shareholder
John E. Lamale, CPA, Shareholder
Brent L. Alexander, CPA, Shareholder

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Iowa Association of School Board's (the Association) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on the Association's major federal program for the year ended June 30, 2011. The Association's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Association's management. Our responsibility is to express an opinion on the Association's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Association's compliance with those requirements.

In our opinion, the Association complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

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Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Association's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A *deficiency in internal control over compliance exists* when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the Association, and federal awarding and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

Brooks Lodden, P.C.

West Des Moines, Iowa
April 6, 2012

IOWA ASSOCIATION OF SCHOOL BOARDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

PART I: SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses a unqualified opinion on the consolidated financial statements of the Iowa Association of School Boards.

2. Significant deficiencies and material weaknesses relating to the audit of the financial statements are reported in the schedule of findings and questioned costs.

3. No instances of noncompliance material to the financial statements of the Iowa Association of School Boards were disclosed during the audit.

4. Significant deficiencies and material weaknesses relating to the audit of the major federal award programs are reported in the schedule of findings and questioned costs.

5. The auditor's report on compliance for U.S. Department of Education Fund for Improvement of Education expresses a qualified opinion.

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

7. The program tested as a major program was the U.S. Department of Education Fund for the Improvement of Education, CFDA# 84.215K.

8. The threshold for distinguishing between Type A and B programs was $300,000.

9. Iowa Association of School Boards did not qualify as a low-risk auditee and according to the U.S. Department of Education was put on high-risk, which resulted in the Iowa Association of School Boards being required to submit copies of all documentation to the U.S. Department of Education before any draws can be made on grants.

PART II: Findings Related to the Financial Statements

II-A-2011: Financial Accounting and Reporting:

An Organization's internal control over financial reporting contemplates that management and accounting staff has the skills and competencies to prevent, detect, and correct misstatements in financial statements, including applicable disclosures, prepared in accordance with United States Generally Accepted Accounting Principles (GAAP). During the audit, multiple adjusting and reclassifying entries were needed in order for the financial statements to properly reflect the activity of the Organization and be in conformity with GAAP. The accounting staff and management's lack of expertise and familiarity with GAAP, including disclosures, is considered a material weakness in the Organization's internal controls over financial reporting. An auditor can prepare the Organization's financial statements and related disclosures, but cannot be considered part of the internal control in place to ensure the statements are presented in accordance with GAAP, including disclosures.

Recommendation: Management of the organization needs to review the responsibilities and skill sets of the individuals within the accounting department to ensure the organization is able to prepare accurate financial information for the Board.

Response: The Association is in the process of hiring a controller in addition to the existing three accounting staff. Once the controller starts working then the review of responsibilities will occur.

II-B-2011: Critical Accounting Routines & Financial Statements:

Critical accounting routines are tasks which are to be completed on a regular basis to ensure the timeliness and accuracy of the flow of information to management and to provide the Board sufficient timely and accurate information in order to fulfill their oversight responsibilities. During the audit, it became apparent that certain accounts were not being reconciled on a timely basis; subsidiary accounts (i.e. accounts receivable and accounts payable) did not reconcile or agree to the trial balance, outstanding check listings were not being generated and included with bank reconciliations, and certain other account reconciliations had not been performed. Financial statements have been provided to the Board during the year; however, in order to provide financial statements; all adjusting entries and reconciliations were not performed to ensure accurate and complete financial statements were presented.

Recommendation: The Board should ensure formal policies are incorporated to require management to timely reconcile accounts, establish proper review procedures, and provide complete and accurate financial statements on a monthly basis to the Board for review.

Response: The Audit and Finance Committee will review and make necessary policy changes for consideration by the Board. The addition of a controller should facilitate establishing the necesay schedule of activities to meet timelines.

PART II: Findings Related to the Financial Statements *(Continued)*

II-C-2011: Critical Accounting Routines – PaySchools:

Critical accounting routines are tasks which are to be completed on a regular basis to ensure the timeliness and accuracy of the flow of information to management and to provide the Board sufficient timely and accurate information in order to fulfill their oversight responsibilities. Effective July 1, 2010, the organization began using PayPal as the credit card processing agent. During the audit, it became apparent that the PaySchools accounts were not being fully reconciled. Cash balances in the bank were reconciled to record transfers, interest, and fees; however, the general ledger account indicating amounts due to LGS or amounts owed to participating schools was not reconciled to agree with actual month-end activity. Transactions owed to schools were processed and submitted to participating schools; however, amounts submitted to PaySchools via PayPal were not reconciled to agree to amounts transferred to the LGS bank account. The PaySchools accounts were not reconciled to ensure all amounts transferred to participating schools by LGS had in fact been received by LGS from PayPal.

Recommendation: The Board should ensure formal policies are incorporated to require management to timely reconcile PaySchools accounts and ensure proper amounts have been received by LGS. In the event, LGS does not receive the proper funds, procedures should be implemented to request funds be returned to LGS from the participating schools. The proper reconciliation of PaySchools will also facilitate accurate financial statements for the Board to review.

Response: With the addition of the controller position, PaySchools staff will be involved in the review of responsibilities to develop process checklists and timelines. The Audit and Finance Committee will review and make necessary policy suggestions to the By-Laws and Policy Committee for consideration by the Board.

II-D-2011: Segregation of Duties and Supervision & Review- Financial Statements:

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements in conformity with U.S. generally accepted accounting principles. Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud affecting the Organization involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. The Accounting Manager had access to all accounting software and calculated and posted the majority of transactions of the Organization. During the year ended June 30, 2011, until the end of October 2011, the duties performed (i.e., accounts reconciliations, journal entries, bank reconciliations, and subsidiary ledgers) by the accounting personnel had not been reviewed by an independent individual.

In addition, payroll records were being initialed as reviewed and approved for the majority of the year; however a proper review had not taken place. In September 2010, the Compensation Committee was notified by the 401(k) Plan Administrator that the top-tier allocation group for the Association's plan would need to have the discretionary match adjusted to be in compliance with the plan. This should have resulted in a 2% decrease in the employer discretionary contributions for the top-tier; however, the change was not made in the payroll system resulting in the top-tier individuals receiving an increased discretionary contribution until the 401(k) employer contributions were suspended on September 1, 2011. These excess contributions will be forfeited by these individuals and returned to IASB's 401(k) Plan. Also, there was one individual in the top-tier who received an employer discretionary contribution at the lowest tier level. The organization will be correcting this individual's employer contributions, including a lost earnings calculation for a total contribution of $3,080.58.

PART II: Findings Related to the Financial Statements *(Continued)*

II-D-2011: Segregation of Duties and Supervision & Review – Financial Statements: *(Continued)*

Recommendation: The Board should require management to review and document current internal controls, establish a process for an ongoing review of these controls, and make changes to adequately segregate the duties of the accounting staff. If the duties cannot be segregated, procedures should be established to ensure the duties are reviewed by an independent individual. This review should be performed monthly and documented on all financial accounting records by formally noting the individual who performed the review.

Recommendation: Management should implement procedures to adequately review the payroll reports and ensure proper amounts are calculated and submitted to the 401(k) Plan. Management should ensure proper amounts are calculated and provided to the 401(k) Plan Administrator in order to reclassify the contributions to forfeitures by the top-tier allocation group. Management should ensure proper contributions are deposited into the 401(k) Plan for the individual which received the incorrect employer discretionary contribution.

Response: Once the controller is working, then payroll processes and duties will be reviewed and schedules, operating procedures and checklists developed.

II-E-2011: Supervision & Review- Federal Grants:

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements in conformity with U.S. generally accepted accounting principles. Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud affecting the Organization involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. Management is responsible for the proper oversight and accounting for federal grant draws and reimbursements. During the audit, it was noted that timely follow up and accounting reconciliation procedures regarding the Skills Iowa grant were not functioning effectively. The organization setup a spreadsheet to track the period covered by the draw, the month submitted, amount requested, amount received by USDE and the date received. The accounting department did not adjust the accounts receivable and revenue accounts to reflect the amounts denied by USDE for reimbursement. USDE also declined cell phone reimbursements for the Skills Iowa trainers and communicated this to the organization during the early draws; however, the organization continued to submit the amounts for reimbursement in subsequent draws, as well as the indirect rate on these expenses. As these amounts were denied by USDE, the organization did not adjust the accounts receivable and revenue to properly reflect the activity. An audit adjustment was posted to properly reflect the activity of the Skills Iowa grant reimbursements.

Recommendation: Management should implement procedures to adequately review grant draw requests and reimbursements received to ensure proper amounts are reflected in the financial statements of the organization. Management should ensure procedures are in place to follow up with USDE regarding outstanding grant reimbursements and the reason for denials in a timely fashion.

PART II: Findings Related to the Financial Statements *(Continued)*

II-E-2011: Supervision & Review- Federal Grants: *(Continued)*

Response: The Skills Iowa grant has ended. Prior to acceptance of any future grants, there needs to be training and staff dedicated to grant accounting rules and regulations.

PART III: Findings and Questioned Costs for Federal Awards

U.S. Department of Education

None

IOWA ASSOCIATION OF SCHOOL BOARDS

CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS

For the Year Ended June 30, 2011

Comment Number	Comment Title	Corrective Action Plan	Contact Person Title Phone Number	Anticipated Date of Completion
II-A-2011	Financial Accounting & Reporting	Our corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Galen Howsare, Chief Financial Officer of the Iowa Association of Schools Boards (515) 288-1991	Fiscal Year 2012
II-B-2011	Critical Accounting Routines & Financial Statements	Our corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Galen Howsare, Chief Financial Officer of the Iowa Association of Schools Boards (515) 288-1991	Fiscal Year 2012
II-C-2011	Criticial Accounting Routines-PaySchools	Our corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Galen Howsare, Chief Financial Officer of the Iowa Association of Schools Boards (515) 288-1991	Fiscal Year 2012
II-D-2011	Segregation of Duties and Supervision & Review - Financial Statements	Our corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Galen Howsare, Chief Financial Officer of the Iowa Association of Schools Boards (515) 288-1991	Fiscal Year 2012
II-E-2011	Supervision & Review - Federal Grants	Our corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Galen Howsare, Chief Financial Officer of the Iowa Association of Schools Boards (515) 288-1991	Fiscal Year 2012

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2011

PART IV: Findings Related to the Financial Statements

IASB-2010-01A: Compensation:

Due to recent events regarding large increases in executive salaries, the Board should review and formally approve all salaries on behalf of the organization. Prior to July 1, 2009, the Board annually performed a review of the Executive Director and set the Executive Director's salary for the upcoming year using the National School Boards Association (NSBA) salary survey as a guide. The Board then approved the remaining salaries of the organization as a budget line item. Per organizational policy, the Executive Director reviewed individual salaries and made adjustments as deemed necessary.

On September 17, 2009, Margaret Buckton, Lisa Bartusek, and Jen Albers, three long-term employees, who had each worked for the organization for over 10 years, were terminated due to what Maxine Kilcrease (Executive Director) cited as budget cuts. Mrs. Kilcrease stated in a Des Moines Register article "School board association lays off 3 officials, cites budget trouble," dated October 14, 2009, "*The three jobs cut reflected cost-saving efforts, not the women's work. Their departures save up to $400,000, she said.*" However, on September 18, 2009, the day after Mrs. Albers was terminated; Randy Lagerblade was hired as a consultant at a rate of $100/hour to replace Mrs. Albers and remained a consultant until October 15, 2009. Mr. Lagerblade became a permanent employee on October 16, 2009. Mr. Lagerblade performed 170.34 hours of service for a total amount paid of $17,034. If Mrs. Albers had been retained as an employee through this time, gross salary paid, including benefits and taxes, would have been approximately $9,450. The use of a consultant cost the organization an additional $7,584, which substantially increased the cost of providing these services during this time period. Mr. Lagerblade's annualized salary of $95,560 was also approximately $14,560 more than what was paid to Mrs. Albers. On an annualized basis, this actually would have cost the organization an additional $104,640.

All three of these individuals were offered a severance package; however, only Lisa Bartusek accepted the severance package. Total amount paid to Lisa Bartusek for the severance agreement was $37,641. On October 26, 2009, Mrs. Kilcrease offered Connie Maxson the position of Director of Member Relations based on 75% of full-time employment for 195 days per year with a daily rate of $550. Total annual salary would equate to $107,250. The equivalent pay for a full-time position using this pay rate would be $143,000. The position of Director of Member Relations was a position similar to that held by Mrs. Bartusek. Mrs. Bartusek's annual salary was $113,091 for a full-time position. Factoring the annualized salary amount of $107,250 and the severance paid to Mrs. Bartusek of $37,641, on an annualized basis, this actually would have cost the organization an additional $144,891.

Margaret Buckton's annual salary was $138,201. Once Mrs. Buckton was terminated, some of her duties were absorbed by Mary Gannon, an attorney for the organization. In the Des Moines Register article dated October 14, 2009, Mrs. Kilcrease stated, "*The women's duties will be absorbed by other employees.*" There was no mention about other employees receiving raises to perform these additional services. Effective January 15, 2010, Mary Gannon's salary increased from $96,704 to $125,000, for an increase of $28,296. The net effect of this termination saved the organization $109,905.

PART IV: Findings Related to the Financial Statements ***(Continued)***

IASB-2010-01A: Compensation: ***(Continued)***

On September 30, 2009, Maxine Kilcrease's salary was changed from an annualized amount of $210,000 to $367,157, and applied retroactively to July 1, 2009. Mary Delagardelle's salary was changed from an annualized amount of $126,464 to $165,000 on December 15, 2009, and applied retroactively to July 1, 2009; LeGrande Smith's salary was changed from an annualized amount of $144,200 to $165,000, and applied retroactively to July 1, 2009. In addition, Larry Sigel's contract of $100,000 per year to provide school finance services was terminated. Jackie Black was hired on December 15, 2009 to provide school finance services to the school districts at an annualized salary of $125,000, plus benefits. The following table illustrates on an annualized basis the net effect of the termination of certain employees versus the increase in salaries and new hires for individuals replacing the terminated employees/contractors covering the period from July 1, 2009 to June 30, 2010:

	(Decrease)	Increase	Difference
Jen Albers	$ (81,000)	$ -	$ (81,000)
Margaret Buckton	(138,201)	-	(138,201)
Lisa Bartusek	(113,091)	-	(113,091)
Larry Sigel's Contract	(100,000)	-	(100,000)
Maxine Kilcrease	-	157,157	157,157
Mary Delagardelle	-	38,536	38,536
LeGrande Smith	-	20,800	20,800
Mary Gannon	-	28,296	28,296
Randy Lagerblade	-	95,560	95,560
Connie Maxson	-	107,250	107,250
Jackie Black	-	125,000	125,000
Lisa Bartusek's Severance	-	37,641	37,641
Estimated Benefits at 40%	(132,917)	244,096	111,179
Net effect of salary changes	$ (565,209)	$ 854,336	$ 289,127

Based upon the above table, the combined effect of the termination of Jen Albers, Margaret Buckton, Lisa Bartusek and Larry Sigel's contract, the changes made to other employee's salaries and the additional employees hired, increased the annualized cost to the organization by approximately $289,127. Mrs. Kilcrease claimed to have saved the Organization $400,000 in an article in the Des Moines Register and in comments to the Board. The above table only factors in similar positions and increases in executive salaries. It does not factor into consideration other employees who were terminated or left the organization since July 1, 2009.

During our review of compensation for the year ended June 30, 2010, we noted that the Human Resource Director retired on June 30, 2010 and received a severance payment of $12,854.52 on July 15, 2010. In addition, a contribution was made in the amount of $899.82 to his 401(k) account. No agreement was located in the employee's personnel file, nor could any documentation be found that the board approved the payment.

PART IV: Findings Related to the Financial Statements *(Continued)*

IASB-2010-01A: Compensation: *(Continued)*

Recommendation: The Board should establish formal policies to ensure that the organization complies with the rebuttal presumption requirement of the IRS on highly compensated individuals. The Board should also create a compensation committee comprised of management and certain Board members to review the reasonableness of the salaries of all staff, including independent contractors, of the organization. During the review of the salaries, the committee should take into consideration the NSBA salary survey in addition to other local salary data to determine if the salaries/contracts of employees/contractors are reasonable. This review should be formally documented in the minutes and noted in each employee/contractor file. The committee should then compile a listing of the employees and independent contractors and the salary amounts determined by the committee to be deemed reasonable and submit this list for review and approval by the entire Board. The Board should designate a Board member to contact the payroll service provider to make any necessary changes. It should also be communicated to the payroll provider that no changes to payroll can occur without the designated Board member's signature for approval.

The Board should establish a process in which any employee leaving the Organization, whether voluntarily or forced, has an exit interview with a designated committee of Board members, separate from the compensation committee. An exit interview should be performed with the employee to determine if there are any issues or concerns within the organization that need to be addressed by the Board.

The Board should establish a formal severance policy, approve all severance payments, and properly document these payments in the board minutes.

Current Status: Ms. Kilcrease is no longer with the organization. Individuals receiving increases were returned to original salary rates and subsequent to the year ended June 30, 2011, all organization employee salaries above $45,000 have been reduced by 6 - 20%.

IASB-2010-02A: Maxine Kilcrease's Compensation:

Maxine Kilcrease began as IASB Executive Director on July 1, 2009 with a base salary of $210,000 ($8,750 per pay period) per her intended employment agreement and the 2010 fiscal year board approved budget. During the initial contract negotiations, Mrs. Albers and Mr. Smith had several conversations with Mrs. Kilcrease regarding her salary and benefits and all parties agreed the salary amount to be $210,000. Mrs. Albers correctly communicated to the payroll service provider a per pay period amount of $8,750 for Mrs. Kilcrease's salary. On July 23, 2009, Brooks Lodden, P.C. staff met with Mrs. Kilcrease and Mr. Schick and specifically discussed the IRS requirements regarding excessive compensation, including the possibility of IRS scrutiny, as well as the potential for negative public perception, in addition to the monetary cost that could be associated with dealing with any issues with the IRS and the public. At this time, we also made Mrs. Kilcrease aware that her salary would be disclosed on the 2009 Form 990 informational tax return filed with the IRS. Mrs. Kilcrease stated that was fine because her salary at AEA 11 was public information and that she was "actually underpaid". The correct salary amount was paid to Mrs. Kilcrease for every pay period from July 1, 2009 through September 15, 2009. On September 17, 2009, Mrs. Kilcrease terminated Mrs. Albers, Director of Finance, citing budget cuts.

PART IV: Findings Related to the Financial Statements *(Continued)*

IASB-2010-02A: Maxine Kilcrease's Compensation: *(Continued)*

On September 23, 2009, Mr. Smith sent an e-mail to Mrs. Kilcrease, Mr. Schick, Mrs. Delagardelle stating, "*Yesterday I told the EC (Executive Council) I would provide the IRS requirements for a tax-exempt organization to establish a presumption of reasonableness of compensation paid under compensation arrangements. Attached is a 1-page memo outlining the IRS requirements for establishing the presumption.*" On September 25, 2009, an e-mail was sent to Kevin Schick from Randy Lagerblade questioning what amounts should be grossed up for Mrs. Kilcrease's salary. Mr. Schick responded to Mr. Lagerblade and copied Mrs. Kilcrease and Jack Hill on the e-mail and directed Mr. Lagerblade to gross up for all deductions. Based upon Mr. Schick's direction, Mr. Lagerblade communicated the change to the payroll service provider. On the September 30, 2009 payroll date, Mrs. Kilcrease's annualized salary was increased from $210,000 to $367,157, in order to gross up her salary for all benefits and withholdings including all taxes so that the net check deposited into her bank account was $8,750. The salary increase was applied retroactively to July 1, 2009, which resulted in an additional gross amount paid to Mrs. Kilcrease of $32,741 for the period July 1, 2009 to September 15, 2009 on September 30, 2009. Based upon subsequent discussions with Mrs. Albers, she stated that Mrs. Kilcrease never contacted her regarding any discrepancy in her pay.

On October 12, 2009, Brooks Lodden, P.C. staff met with Mrs. Kilcrease to inquire of fraud and any other concerns that Mrs. Kilcrease might have regarding the organization and the financial statements. Mrs. Kilcrease did not mention any issues regarding her salary to Brooks Lodden, P.C. On December 5, 2009, Mrs. Kilcrease sent an e-mail to Mr. Lagerblade requesting the amount of money owed to the organization from her due to incorrect paychecks. On January 5, 2010, Mrs. Kilcrease wrote a memo to Mr. Schick, Mr. Lagerblade, and Mr. Smith stating, "*My interpretation of my compensation is not that everything should be grossed up. My interpretation is that the association would be paying for flex cost, administrative fees, and all Social Security costs and related costs even though Jen's document does clearly say "Payroll Taxes." Thus I believe that my compensation has been too much. I have set aside the money which I believe is overpayment and stand ready to return that to the IASB at any time. It seems important to me to go on record so that there is clarity regarding this issue*." Based upon our review of the spreadsheet prepared by Mrs. Albers, the spreadsheet clearly indicates the amounts are total costs the employer pays on behalf of the employee. It does not state employee payroll taxes or employee's flex cost associated with the employee's salary would be paid by the organization.

On January 11, 2010, Brooks Lodden, P.C. sent a formal letter to Mrs. Kilcrease trying to clarify some of her responses from the October 12, 2009 meeting. A formal letter dated January 22, 2010, was received by Brooks Lodden, P.C. from Mrs. Kilcrease in response to our letter dated January 11, 2010, and again, Mrs. Kilcrease did not mention any issues regarding her payroll to Brooks Lodden, P.C.

On February 13, 2010, Brooks Lodden, P.C. became aware of Mrs. Kilcrease's salary increase. On February 14, 2010, Brooks Lodden, P.C. was also contacted by a Board member questioning whether an Executive Director can withhold salary information from the Board. Brooks Lodden, P.C. instructed the Board member that in order to comply with IRS regulations related to filing the Form 990 informational tax return, Board members should know what the salaries are to ensure the salaries are properly disclosed on the return.

PART IV: Findings Related to the Financial Statements ***(Continued)***

IASB-2010-02A: Maxine Kilcrease's Compensation: ***(Continued)***

On February 16, 2010, a whistleblower complaint was filed by an anonymous individual stating, "*Dr. Kilcrease raised an issue of her salary to Jack Hill stating that she negotiated that her salary would be $2xx,xxx net of taxes not gross as she was being paid or that it was her understanding that nothing was to be taken out of her check. Mr. Hill advised Dr. Schick and the Controller, Randy Lagerblade to fix the problem. This change greatly increased the total compensation for the Executive Director. The board should be aware of the full compensation amount. Dr. Kilcrease in the late fall increased the salaries of LeGrande Smith and Mary Delagardelle to $165,000 and made it retroactive to July 1, 2009. Dr. Kilcrease also changed the insurance coverage for herself, LeGrande Smith and Mary Delagardelle from individual to family which also increases compensation. The board should be fully aware of the salary cost of the executives.*"

On February 17, 2010, the Executive Board members had a conference call with Mrs. Kilcrease, Mrs. Delagardelle, Mr. Smith, and J. Campbell Helton from Whitfield & Eddy, P.L.C. regarding the February 16, 2010 complaint. Based upon conversations with a board member, when the complaint was being reviewed and the salary issue was discussed, Mrs. Kilcrease allegedly stated that the increases were "*Preposterous*". Furthermore, per the board member, Mrs. Delagardelle and Mr. Smith who were also on the call did not disclose to the Executive Board members that their salaries had increased as the whistleblower complaint claimed. Mrs. Kilcrease, Mr. Smith, and Mr. Helton recommended that the Board not review this complaint as it was filed by a disgruntled individual. A Board member made a comment that it would be a good idea to have another attorney look at the complaint since Mrs. Kilcrease, Mrs. Delagardelle, Mr. Smith and Mr. Helton were all named in the complaint. The Board was told that it would cost too much and would not be worth investigating. The Executive Board members agreed that if anything was found to be true in the audit that verified any information in the complaint, that the complaint would be investigated at a later date.

Brooks Lodden, P.C. continued to work with an IASB employee to see if this individual could provide enough information to take to the Board. The individual did not have access to payroll, but did have access to the benefits system in which salary information is used to calculate life insurance. The individual ran a report showing salary increases for Mrs. Kilcrease, Mrs. Delagardelle, Mr. Smith, and Ms. Gannon. On March 1, 2010, the individual faxed Brooks Lodden, P.C. a report showing original salary and current salary. On March 2, 2010, this report was given to the Board President to review. On March 3, 2010, Brooks Lodden, P.C. met with the Board President and discussed concerns regarding the payroll increases in addition to problems we were encountering while performing the audit. At this time, the Board President contacted Mr. Lagerblade and instructed him to give Brooks Lodden, P.C. access to the payroll information. On March 3, 2010 Brooks Lodden, P.C. determined that Mrs. Kilcrease, Mrs. Delagardelle, Mr. Smith, and Ms. Gannon had substantial increases in their salaries. This information along with supporting documentation was provided to the Executive Board members on March 3, 2010, and to the entire board on March 10, 2010. Once the Board became aware of Mrs. Kilcrease's increased salary, the Board voted to reduce the Executive Director's salary to her original intended salary of $210,000, effective March 15, 2010. Effective April 2, 2010, the Board terminated Mrs. Kilcrease.

PART IV: Findings Related to the Financial Statements *(Continued)*

IASB-2010-02A: Maxine Kilcrease's Compensation: *(Continued)*

Brooks Lodden, P.C. obtained the 2010 NSBA annual salary survey which is a yearly survey compiled by NSBA and distributed to all state school board associations to determine if the salaries paid to individuals are reasonable. The salary information on this survey is based upon salaries as of January 1, 2010. The first line on the survey filled out by IASB shows Mrs. Kilcrease's annual salary to be $367,156. As part of this survey, IASB is required to verify the responses on the survey by having the Executive Director sign the survey. Based upon our review of the survey, it appears that Mrs. Kilcrease signed this survey verifying the information in the survey showing an annualized salary of $367,156. This survey was sent to NSBA on January 22, 2010, and the information in this survey was originally included in the 2010 NSBA salary survey received by Brooks Lodden, P.C. in April 2010, as well as all other state board associations. It showed that Mrs. Kilcrease's salary of $367,156 was the highest paid salary of all state school board associations in the nation.

Based upon our review, it appears there are two contracts related to Mrs. Kilcrease's compensation. It appears as though one contract was signed by her twice, as Executive Director signing for the organization and signing for herself, without any signature from a Board member. The other contract appears to be signed by Mrs. Kilcrease, and what appears to be Jack Hill's (Board President through December 31, 2009) signature. Neither contract is dated nor is there any designation on the contract showing that each page was initialed.

Based upon the original intended salary of $210,000 and as illustrated in the below table, Mrs. Kilcrease appears to have been overpaid by $111,579.46 for the period July 1, 2009 to February 28, 2010, which includes salary, and other amounts paid on her behalf by the employer (Employer's portion of 401(k), Social Security, and Medicare contributions). We also noted one mileage reimbursement in which the mileage appears incorrect increasing the amount overpaid to Mrs. Kilcrease by $126.92. The overpayment of salary to Mrs. Kilcrease would appear to be classified as a loan to Mrs. Kilcrease and would be required to be paid back to the organization. This loan would then appear to violate Section 504.834 ***Loans to or Guarantees for Directors and Officers*** of Chapter 504 Revised Iowa Nonprofit Corporation Act, which states (1) A corporation shall not lend money to or guarantee the obligation of a director or officer of the corporation. (2) The fact that a loan or guarantee is made in violation of this section does not affect the borrower's liability on the loan.

The following table details the overage on salary, 401(k), and taxes Mrs. Kilcrease received in excess of what should have been paid to her for the period July 1, 2009 to February 28, 2010.

Salary overage	**$101,947.03**
Employer 401(k) overage	**1,833.48**
Employer OASDI overage	**6,320.72**
Employer Medicare overage	**1,478.23**
Subtotal	**$111,579.46**
Amount repaid by Mrs. Kilcrease on 3/3/2010	**(59,192.84)**
Incorrect mileage reimbursement	**126.92**
Total due to IASB	**$ 52,513.54**

PART IV: Findings Related to the Financial Statements *(Continued)*

IASB-2010-02A: Maxine Kilcrease's Compensation: *(Continued)*

On October 26, 2009, Mrs. Kilcrease personally purchased chairs on the corporate credit card totaling $1,575.20. This amount was not reimbursed to the organization until December 3, 2009. In addition, from review of Mrs. Kilcrease's corporate credit card statements, we also noted that several expenses did not have adequate documentation and/or credit card receipts did not always have the detailed receipt present. On July 2, 2009, Mrs. Kilcrease signed a corporate credit card usage agreement which stated that corporate credit cards are not to be used for purchases of a personal nature, cash advances, or to circumvent compliance with normal expense requisition methods. The charge for $1,575.20 appears to be in violation of the credit card usage agreement which she signed and may have violated Section 504.834 of the Iowa Code.

It was the organization's policy to allow the Executive Director and Board members to take their spouses on out-of-town travel events. Mrs. Kilcrease took her spouse on occasion to these events; however, the amounts incurred by the organization on behalf of her spouse were not reflected in Mrs. Kilcrease's W-2 compensation. Total amount of compensation that should have been added to Mrs. Kilcrease's W-2 compensation for this issue was $1,029.90.

Recommendation: Since the Board determined the intended salary of $210,000 was the appropriate compensation for Mrs. Kilcrease's position, we recommend the Board take steps to require Mrs. Kilcrease to pay the remaining balance due to the organization in the amount of $52,513.54, plus applicable interest. In addition, the $111,579.46 should be reported to the IRS on the appropriate form(s) in accordance with IRS regulations and filed with the 2009 Form 990.

The Board should establish procedures to ensure the organization complies with Section 504.834 *Loans to or Guarantees for Directors and Officers* of Chapter 504 Revised Iowa Nonprofit Corporation Act.

All employment related contracts should be signed by an authorized representative of the Board and each page should be initialed by both the organization and the individual signing the contract to ensure the contract is maintained in its entirety. The personnel files and contracts should be secured and access limited so that information cannot be removed from the files. This will mitigate the likelihood of unauthorized changes being made to the files without formal approval and missing documentation from personnel files.

The Board should establish procedures to ensure that any amounts such as spousal travel paid by the organization on behalf of an individual is properly reflected in a W-2 as compensation. In addition, we recommend that the W-2 and W-3 be amended to reflect the additional compensation to Mrs. Kilcrease for spousal travel.

The Board should remove credit cards from all employees and only retain a corporate card to be used for necessary business expenses of the organization. Procedures should be established to include an authorization process in which transactions are approved on the credit card. A form should be prepared and maintained documenting the approval and the business purpose of the transaction. Itemized receipts should be obtained to support all charges on the credit card and given to the accounting department to include as support for the credit card transactions.

Current Status: Ms. Kilcrease is no longer with the organization. The Board has requested repayment of the remaining balance. As of the date of the report, the amounts remain unpaid. All amounts were reported by the organization on the Form 990.

PART IV: Findings Related to the Financial Statements ***(Continued)***

IASB-2010-03A: Mary Delagardelle's Compensation:

Mary Delagardelle was the Deputy Executive Director of IASB and Executive Director of Iowa School Boards Foundation (ISBF) prior to the employment of Maxine Kilcrease as IASB Executive Director. Her status under Mrs. Kilcrease remained unchanged from the previous administration. Mrs. Delagardelle's annual compensation per the 2010 fiscal year budget was $126,464. On November 12, 2009, Mrs. Kilcrease approved a salary increase of $38,536 for an annualized salary of $165,000 for the Deputy Executive Director, which took effect on December 15, 2009, and was retroactively applied to July 1, 2009. Approximately one week later at the November 20, 2009 board meeting, Mrs. Kilcrease stated the following, *"It is likely we will need to cut personnel to manage finances."* According to the minutes, Mrs. Delagardelle was in attendance at this meeting. The total retroactive amount included in the December 15, 2009 payroll for Mrs. Delagardelle was $16,050. Mrs. Kilcrease also provided certain benefits to Mrs. Delagardelle and LeGrande Smith, including short-term disability and full family health insurance benefits. These benefits were only provided to members of Mrs. Kilcrease's Executive Council. *Organizational policy #203.1R10 states that the IASB Board of Directors, upon recommendation of the Executive Director, shall provide benefits to IASB staff members and regular part-time employees working 20 or more hours weekly. The IASB Board of Directors shall determine the carrier for all insurance/pension programs. Benefits will be reviewed annually*. By offering Mrs. Delagardelle short-term disability and full family benefits, Mrs. Kilcrease appears to have violated the organization's internal policy regarding employee benefits. Once the Board became aware of the increase in Mrs. Delagardelle's salary, the Board voted to reduce the salary to her July 1, 2009 salary approved in the budget, effective March 15, 2010.

Based upon the original intended salary of $126,464, Mrs. Delagardelle appears to have been overpaid by $29,854.26 which includes salary, and amounts paid by the employer (Employer's portion of 401(k), Social Security, and Medicare contributions). The budgeted salary of $126,464 was determined to be reasonable by Ron Rice, the prior Executive Director for the 09-10 budget. There is no additional documentation by Mrs. Kilcrease regarding the additional duties Mrs. Delagardelle would be performing to justify the salary increase. The overpayment of salary to Mrs. Delagardelle would appear to be classified as a loan to Mrs. Delagardelle and would be required to be repaid to the organization. This loan would then appear to violate Section 504.834 ***Loans to or Guarantees for Directors and Officers*** of Chapter 504 Revised Iowa Nonprofit Corporation Act, which states (1) A corporation shall not lend money to or guarantee the obligation of a director or officer of the corporation. (2) The fact that a loan or guarantee is made in violation of this section does not affect the borrower's liability on the loan.

The following table details the overage on salary, 401(k), and taxes Mrs. Delagardelle received in excess of what should have been paid to her for the period July 1, 2009 to March 15, 2010:

Salary overage	**$ 26,039.48**
Employer 401(k) overage	**1,822.76**
Employer OASDI overage	**1,614.45**
Employer Medicare overage	**377.57**
Total due to IASB	**$ 29,854.26**

PART IV: Findings Related to the Financial Statements *(Continued)*

IASB-2010-03A: Mary Delagardelle's Compensation: *(Continued)*

A memo dated November 12, 2009 from Mrs. Kilcrease to the employee's file regarding her analysis of the salary increase for Mrs. Delagardelle stated the increase was approved by both the Executive Director and Chief Financial Officer. Randy Lagerblade, Controller, also stated that both Mr. Schick and Mr. Smith came into his office and displayed on his whiteboard how the salaries of both Mary Delagardelle and LeGrande Smith were going to change prior to the amounts being paid on December 15, 2009. On January 11, 2010, Brooks Lodden, P.C. met with Mrs. Delagardelle to perform additional fraud inquires. During this meeting, Mrs. Delagardelle did not provide any information regarding any issues with salaries during these inquiries. Also, based upon the discussion under finding IASB-2010-02A, Mrs. Delagardelle did not disclose to the Executive Board that her salary had been increased to $165,000.

Mrs. Delagardelle appears to have used the credit card issued to her by the organization on several occasions throughout the year for personal use in addition to charging other costs to the organization. Total amount of personal charges incurred by Mrs. Delagardelle were $1,219.05. Personal charges were reimbursed to the organization at various times during the year. Mrs. Delagardelle also signed a corporate credit card usage agreement which stated that corporate credit cards are not to be used for purchases of a personal nature, cash advances, or to circumvent compliance with normal expense requisition methods. These charges appear to be in violation of the credit card usage agreement which she signed. These charges may have violated Section 504.834 of the Iowa Code.

Recommendation: The Board should require Mrs. Delagardelle to pay the balance due to the organization in the amount of $29,854.26 plus applicable interest. The $29,854.26 should be reported to the IRS on the appropriate form(s) in accordance with IRS regulations and filed with the 2009 Form 990.

The Board should report Mrs. Kilcrease, Mr. Schick and Mr. Smith to the IRS on the appropriate form(s) in accordance with IRS regulations as the managers approving the excess benefit transaction and filed with the 2009 Form 990.

The Board should amend the benefits policy to include wording that does not allow benefits to accrue only to selected employees and ensure employee benefits can only be changed by the Board. All benefits offered by the organization should be discussed by the compensation committee and brought before the Board for approval.

The Board should establish procedures to ensure the organization complies with Section 504.834 *Loans to or Guarantees for Directors and Officers* of Chapter 504 Revised Iowa Nonprofit Corporation Act.

The Board should remove credit cards from all employees and only retain a corporate card to be used for necessary business expenses of the organization. Procedures should be established to include an authorization process in which transactions are approved on the credit card. A form should be prepared and maintained documenting the approval and the business purpose of the transaction. Itemized receipts should be obtained to support the charges on the credit card and given to the accounting department to include as support for the credit card transactions.

Current Status: The Board has requested repayment of the remaining balance. As of the date of the report, the amounts remain unpaid. All amounts were reported by the organization on the Form 990. Subsequent to the year ended June 30, 2011, Ms. Delagardelle is no longer with the organization.

PART IV: Findings Related to the Financial Statements ***(Continued)***

IASB-2010-04A: LeGrande Smith's Compensation:

LeGrande Smith was the General Counsel prior to the employment of Maxine Kilcrease as IASB Executive Director. Mr. Smith's annual compensation per the fiscal year 2010 budget was approximately $144,200. On November 12, 2009, Mrs. Kilcrease approved a salary increase of approximately $20,800 for an annualized salary of $165,000 for Mr. Smith, which took effect on December 15, 2009 and was retroactively applied to July 1, 2009. Approximately one week later at the November 20, 2009 board meeting, Mrs. Kilcrease stated the following, "*It is likely we will need to cut personnel to manage finances.*" According to the minutes, Mr. Smith was in attendance at this meeting. The total retroactive amount included in the December 15, 2009 payroll for Mr. Smith was $8,717. The overpayment of salary to Mr. Smith would appear to be classified as a loan to Mr. Smith and would be required to be paid back to the organization. This loan would then appear to violate Section 504.834 ***Loans to or Guarantees for Directors and Officers*** of Chapter 504 Revised Iowa Nonprofit Corporation Act, which states (1) A corporation shall not lend money to or guarantee the obligation of a director or officer of the corporation. (2) The fact that a loan or guarantee is made in violation of this section does not affect the borrower's liability on the loan. Once the Board became aware of the increase in Mr. Smith's salary, the Board voted to reduce the salary to his July 1, 2009 salary approved in the budget, effective March 15, 2010.

The following table details the overage on salary, 401(k), and taxes Mr. Smith received in excess of what should have been paid to him for the period July 1, 2009 to March 15, 2010:

Salary overage	**$ 13,294.21**
Employer 401(k) overage	**930.59**
Employer OASDI overage	**824.24**
Employer Medicare overage	**192.77**
Subtotal	**$ 15,241.81**
Amount repaid by Mr. Smith on 6/15/2010	**(9,000.00)**
Interest	**70.88**
Amount repaid by Mr. Smith on 8/06/2010	**(6,312.69)**
Total owed to IASB	**$ -**

A memo dated November 12, 2009 from Mrs. Kilcrease to the employee's file regarding her analysis of the increase in salary of Mr. Smith stated the increase in salary was approved by the Executive Director, Chief Financial Officer, and Deputy Executive Director. Mr. Lagerblade also stated that both Mr. Schick and Mr. Smith came into his office and displayed on his whiteboard how the salaries of both Mrs. Delagardelle and Mr. Smith were going to change prior to the amounts being paid on December 15, 2009. Mrs. Kilcrease also provided special benefits to Mrs. Delagardelle and Mr. Smith, including short-term disability and full family health insurance benefits. These benefits were only provided to members of Mrs. Kilcrease's Executive Council. *Organizational policy #203.1R10 states that the IASB Board of Directors, upon recommendation of the Executive Director, shall provide benefits to IASB staff members and regular part-time employees working 20 or more hours weekly. The IASB Board of Directors shall determine the carrier for all insurance/pension programs. Benefits will be reviewed annually*. By offering Mr. Smith short-term disability and full family benefits, Mrs. Kilcrease appears to have violated the organization's internal policy regarding employee benefits. Mrs. Kilcrease advised Mr. Smith that he was covered by a short term disability policy when no such coverage had been secured. In the opinion of outside legal counsel, this commitment resulted in some legal exposure to the Association. The costs incurred by the Association for this benefit was $20,155. The amount was not documented in the Board minutes as being approved by the Board. On January 13, 2010, Brooks Lodden, P.C. met with Mr. Smith to perform additional fraud inquires. During this meeting, Mr. Smith did not provide any information regarding any issues with salaries during these inquires.

PART IV: Findings Related to the Financial Statements ***(Continued)***

IASB-2010-04A: LeGrande Smith's Compensation: ***(Continued)***

Also, based upon the discussion under finding IASB-2010-02A, Mr. Smith did not disclose to the Executive Board that his salary had been increased to $165,000. In June 2009, Brooks Lodden, P.C. staff met with LeGrande Smith and specifically discussed the IRS requirements on excessive compensation, including the possibility of IRS scrutiny. Furthermore, we discussed the potential for negative public perception in addition to the monetary cost that could be associated with dealing with any issues in regards to the IRS and the public.

Recommendation: The $15,241.81 original overage should be reported to the IRS on the appropriate form(s) in accordance with IRS regulations and filed with the 2009 Form 990. In addition, we recommend the Board review the additional amounts paid to Mr. Smith to determine the proper treatment and reporting requirements to comply with IRS regulations and the 2009 Form 990.

The Board should report Mrs. Kilcrease, Mr. Schick, Mrs. Delagardelle and Mr. Smith to the IRS on the appropriate form(s) in accordance with IRS regulations as the managers approving the excess benefit transaction and file with the 2009 Form 990.

The Board should amend the benefits policy to include wording that does not allow benefits to accrue only to selected employees and ensure employee benefits can only be changed by the Board. All benefits offered by the organization should be discussed by the compensation committee and brought before the Board for approval.

The Board should establish procedures to ensure the organization complies with Section 504.834 *Loans to or Guarantees for Directors and Officers* of Chapter 504 Revised Iowa Nonprofit Corporation Act.

Current Status: The overage amounts were repaid to the organization and the amounts were reported on the 2009 Form 990.

IASB-2010-05A: Mary Gannon's Compensation:

Mary Gannon serves as an attorney for the organization. Ms. Gannon's annual compensation per the FY 2010 budget was approximately $96,704. On September 17, 2009, the department head of the legislative and lobbying department for the organization was terminated by Mrs. Kilcrease. Some of these duties performed by this individual along with some of the duties performed by Mrs. Bartusek were absorbed by Ms. Gannon. On January 15, 2010, the Executive Director approved a salary increase of $28,296 for an annualized salary of $125,000. The salary increase was effective starting with the January 15, 2010 pay period. Once the Board became aware of the increase in Ms. Gannon's salary, the Board voted to reduce the salary to her July 1, 2009 salary approved in the budget, effective March 15, 2010.

Ms. Gannon's salary was initially based upon the $7.5 million and above category in the *Survey of Salaries and Benefits Provided by State School Boards Associations 2009*. Comparing the initial salary of $96,704 that was approved in the 09-10 budget to the 2009 survey, we found the salary amount of $96,704 was between the median and low categories and was within an acceptable level of compensation. According to the 2010 survey, the $96,704 would be in between the highest and median categories and within an acceptable level of compensation. Compared to the 2010 survey, a salary of $125,000 would also fall between the high and median categories and would be within an acceptable level of compensation.

PART IV: Findings Related to the Financial Statements *(Continued)*

IASB-2010-05A: Mary Gannon's Compensation: *(Continued)*

Recommendation: No additional action is necessary at this time on this individual. The Board voted to reduce the salary to the fiscal year 09-10 budgeted amount. Even with the increase to $125,000, this was still an acceptable level of compensation for the duties being performed by this individual. Even though the salary range was within acceptable limits, we would recommend the Board establish procedures to ensure that additional duties taken on by an individual are properly reviewed and documented to support any increases an individual receives. This information should also be documented in the employee's file.

Current Status: The Association implemented a 15% pay reduction for the position effective August 1, 2011.

Finding IASB-2010-06A: Connie Maxson's Compensation:

Connie Maxson began working for the organization as the Director of Member Relations with an annual salary of $107,250 on January 1, 2010. According to a letter of offer by the Executive Director, the position offered was 75% of a full-time position.

The Director of Member Relation's salary was initially based upon the *Survey of Salaries and Benefits Provided by State School Boards Associations 2009.* Comparing the initial salary of $107,250 to the 2009 survey, we found the salary amount of $107,250 exceeded the high category for a full-time position in the nation. According to the 2010 survey, the $107,250 would be in between the highest and average categories, but closer to the high end of the survey. Taking into consideration the budget classification in the 2010 survey for the organization, it is unlikely that the salary should be on the high end of the salary category, since the comparables used are based upon similar organizations around the nation and the high category would more than likely include larger states, such as California, Texas, and New York. In addition, both the 2009 and 2010 salary surveys were based upon full-time positions. Currently, the Director of Member Relations is only working 75%. Based upon the reduced amount of time spent in the position, it would appear that 25% of the amount paid to the Director of Member Relations does not fall within the industry standards.

Additional compensation paid: We noted that a severance payment in the amount of $3,093.75 was paid on July 15, 2010. In addition a contribution of $226.88 was made to the 401(k) plan on behalf of Mrs. Maxson. According to the plan document, an employee can only enter the plan the first day of the month after the employee has six months of service with the organization. Based upon employment records, Mrs. Maxson started employment on January 1, 2010 and was terminated on June 30, 2010. The first day that Mrs. Maxson could enter the plan would have been on July 1, 2010. No agreement was located in the employee's personnel file, nor could any documentation be found that the Board approved the payment.

Recommendation: The Board should review this position to determine if the *full-time* salary amount is appropriate. If the amount is deemed to be appropriate for the position on a *full-time basis*, the Board should immediately reduce the total salary amount paid to the individual to account for the *part-time* status of the employee.

Current Status: This position was eliminated effective June 30, 2010.

PART IV: Findings Related to the Financial Statements ***(Continued)***

Finding IASB-2010-07A: Jackie Black's Compensation:

Jackie Black began working for the organization as the Director of School Finance with an annual salary of $125,000. The Director of School Finance's salary was initially based upon the *Survey of Salaries and Benefits Provided by State School Boards Associations 2009*. Comparing the initial salary of $125,000 to the 2009 survey, we found the salary amount of $125,000 exceeded the high category for a full-time position. Based upon the review of the organization's payroll reports, it was determined that this amount was related to the organization's own employee for the 2009 data. The 2010 survey did not include any individual in the "Other-School Finance" category; however, if the Director of School Finance would have been included on the survey, the amount would have shown $125,000. Brooks Lodden, P.C. called NSBA and explained the position of Director of School Finance; however, NSBA was unaware of any position in the survey which matched the job description of the Director of School Finance. The prior Director of School Finance's duties also included presenting the organization's Convention "School Finance Boot Camp," the Iowa Superintendents Finance and Leadership Consortium (ISFLC) workshops, and the organization's annual fiscal conference. Based upon our review of the current job description for the Director of School Finance, the description has specifically excluded the above duties from the responsibility of the current Director of School Finance. It would appear the current rate paid to the Director of School Finance is on the high end for duties to be performed when compared to the prior Director of School Finance.

Recommendation: The Board should review the duties performed by the prior Director of School Finance and compare these duties to the job description and duties performed by the current Director of School Finance. Based upon this review, the Board should estimate the time required for the additional duties performed, if any, and adjust the compensation level accordingly.

Current Status: The Association implemented a 20% pay reduction for the position effective August 1, 2011.

IASB-2010-08A: Contracted Services:

Kevin Schick began as interim CFO on April 13, 2009 for IASB. He was an independent contractor hired through a placement agency at rate of $115/hour from April 13 through October 31, 2009. The annual amount at $115/hour would approximate $239,200 based upon a 2,080 hour work year. The total amount paid for contracted CFO services was $114,598 for 996.50 hours of work. In addition to this amount, another individual also billed for 97 hours @ $115/ hour for a total of $11,155. Brooks Lodden, P.C. obtained the invoices and noted there was no detail on the invoices for the amount charged to the organization. The attorneys for IASB requested the backup supporting the invoices, but the only information provided to the attorneys was a timesheet by day that only listed the total number of hours. No detail of the work performed by these individuals could be provided for our review.

Recommendation: The Board should request from these individuals a detailed account of the duties they performed for IASB and LGS while in the service of the placement agency. This information is necessary to determine whether or not the amount charged for services to the organization are excessive. If the information is received, the Board should review the detail to determine if the description is reasonable for the services which were rendered. If the information is not received, the Board should request a refund of the amounts that cannot be substantiated in detail and report this amount to IRS on the appropriate form(s) in accordance with IRS regulations as an excess benefit transaction and file with the 2009 Form 990.

PART IV: Findings Related to the Financial Statements *(Continued)*

IASB-2010-08A: Contracted Services: *(Continued)*

The Board should establish policies in which independent contractor agreements are reviewed by the compensation committee to determine if the compensation is reasonable for the service being provided to the organization. These contracts should then be submitted to the Board to approve and be documented in the minutes as well as retained in the contractor's file.

Current Status: The Board requested outside legal counsel to prepare a letter requesting a detail account of the duties performed for IASB and LGS. No additional information has been received. Amounts were reported to the IRS on the 2009 Form 990 as potential excess benefits.

IASB-2010-09A: KSL Consulting, LLC Contracted Services:

On November 1, 2009, Kevin Schick began using his own company, KSL Consulting, LLC, and charged the organization for services at a gross rate of $450/hour "discounted" via an amount "contributed" to a net of $100/hour. The annual amount at $100/hour would be $208,000 based upon a 2,080 hour work year. The total amount paid for contracted CFO services through KSL Consulting, LLC was $41,600 (416 hours @ $100/hr). No signed contract between the organization and KSL Consulting, LLC regarding the duties and responsibilities that Mr. Schick was to perform for the organization could be located for Brooks Lodden, P.C. to review, nor was approval of the contract noted in the board minutes. In addition, based upon our review of the invoices from KSL Consulting, LLC, there is no itemized accounting regarding the number of hours per day and services provided to the organization.

According to IASB credit card statements, Mr. Schick's departure date for his vacation to Bora Bora was December 27, 2009 with a return date of January 3, 2010. For the period December 28-31, 2009, Mr. Schick billed IASB for 8 hours of work. This invoice was approved by Mrs. Kilcrease. On June 3, 2010, Mr. Schick testified before the Iowa Legislative Oversight Committee that his vacation to Bora Bora was personal in nature and he did not bill any amounts to the organization during his vacation. The total net amount using a rate of $100/hour would be an overbilling of $800 to IASB. Mr. Schick also billed for 40 hours of service between January 1-9, 2010. Without the individual detail on the services Mr. Schick provided to the organization during this time, it cannot be determined at this time whether or not additional repayment is necessary.

Mr. Schick has presented himself as an independent contractor; however, his responsibilities and duties mirror the activities of an employee rather than an independent contractor. Mr. Schick was given the title of Chief Financial Officer, included on the Executive Council, given signature authority on all bank accounts, given access to the accounting system, given a corporate credit card, elected to be President of Local Government Services on September 16, 2009, and made management decisions without approval from the Executive Director or the Board. All of these duties were similar to duties performed by the prior CFO, who was classified as an employee.

PART IV: Findings Related to the Financial Statements *(Continued)*

IASB-2010-09A: KSL Consulting, LLC Contracted Services: ***(Continued)***

The following table shows the detail of the charges invoiced and paid to KSL Consulting, LLC:

Billing Period:	**Hours**	**Rate**	**Amount**
November 1-7, 2009	**40 hours**	**$100/hr**	**$ 4,000**
November 8-14, 2009	**40 hours**	**$100/hr**	**4,000**
Total for invoice #1134	**80 hours**		**$ 8,000**
November 15-21, 2009	**40 hours**	**$450/hr**	**$ 18,000**
November 22-28, 2009	**32 hours**	**$450/hr**	**14,400**
Donation (Effective rate $100/hr)	**72 hours**	**$350/hr**	**(25,200)**
Total for invoice #1137	**72 hours**		**$ 7,200**
November 29-December 6, 2009	**32 hours**	**$450/hr**	**$ 14,400**
December 7-13, 2009	**40 hours**	**$450/hr**	**18,000**
Donation (Effective rate $100/hr)	**72 hours**	**$350/hr**	**(25,200)**
Total for invoice #1139	**72 hours**		**$ 7,200**
December 14-20, 2009	**40 hours**	**$450/hr**	**$ 18,000**
December 21-27, 2009	**24 hours**	**$450/hr**	**10,800**
Donation (Effective rate $100/hr)	**64 hours**	**$350/hr**	**(22,400)**
Total for invoice #1147	**64 hours**		**$ 6,400**
December 28-31, 2009	**8 hours**	**$450/hr**	**$ 3,600**
January 1-9, 2010	**40 hours**	**$450/hr**	**18,000**
January 10-21, 2010	**80 hours**	**$450/hr**	**36,000**
Donation (Effective rate $100/hr)	**128 hours**	**$350/hr**	**(44,800)**
Total for invoice #1305	**128 hours**		**$ 12,800**
Grand Total	**416 hours**	**$100/hr**	**$ 41,600**

Recommendation: The Board should request from Mr. Schick a detailed account of the duties he performed for the organization. This information is necessary to determine whether or not the compensation paid for services provided to the organization is excessive. If the information is received, the Board should review the detail to determine if the description is reasonable for the services which were rendered. If the information is not received, the Board should request a refund of the amounts that cannot be substantiated in detail and report this amount to the IRS on the appropriate form(s) in accordance with IRS regulations as an excess benefit transaction and file with the 2009 Form 990.

The Board should establish policies in which independent contractor agreements are reviewed by the compensation committee to determine if the compensation is reasonable for the service being provided to the organization. These contracts should then be submitted to the Board to approve and be documented in the minutes as well as retained in the contractor's file.

The Board should request Mr. Schick pay the organization $800 for the overbilling on time billed to the organization between the dates December 28-31, 2009, and any other amounts, as identified, after review of detail provided by Mr. Schick.

PART IV: Findings Related to the Financial Statements *(Continued)*

IASB-2010-09A: KSL Consulting, LLC Contracted Services: *(Continued)*

The Board should establish procedures to evaluate the classification of independent contractors to determine whether or not the contractors should be classified as an employee versus an independent contractor. This determination should also be retained and documented in the contractor's file.

Current Status: The Board has requested the money from Mr. Schick. No information has been received as of the date of this report. This has been turned over to the Polk County Prosecutor for further investigation. All amounts were reported on the 2009 Form 990.

IASB-2010-10A: Randy Lagerblade Contracted Services:

On September 18, 2009, Randy Lagerblade was contracted to provide interim financial services to the organization. Mr. Lagerblade provided these services from September 18, 2009 thru October 15, 2009 until he became an employee of the organization on October 16, 2009. Mr. Lagerblade charged the organization $17,034 (170.34 hours @ $100/hr). No signed contract between the organization and Mr. Lagerblade regarding the duties and responsibilities that Mr. Lagerblade was to perform for the organization could be located for Brooks Lodden, P.C. to review, nor was approval of the contract noted in the board minutes. In addition, based upon our review of the invoices submitted for payment, there is no itemized accounting regarding the number of hours per day and services provided to the organization.

Recommendation: The Board should request from Mr. Lagerblade a detailed account of the duties he performed for the organization. This information is necessary to determine whether or not the compensation paid for services provided to the organization is excessive. If the information is received, the Board should review the detail to determine if the description is reasonable for the services which were rendered. If the information is not received, the Board should request a refund of the amounts that cannot be substantiated in detail and report this amount to the IRS on the appropriate form(s) in accordance with IRS regulations as an excess benefit transaction and file with the 2009 Form 990.

Current Status: The individual has provided a detailed listing of services to the Board. No similar finding in the current year regarding this individual.

IASB-2010-11A: Kevin Schick's Corporate Credit Card:

On September 30, 2009, Maxine Kilcrease approved Kevin Schick to be added to the IASB corporate credit card account with a credit limit of $10,000. Based upon the information provided from the bank, it appears Mr. Schick's credit card was set up under the corporate account of the organization. Mr. Schick used this credit card to purchase a trip to Bora Bora for himself and a guest in addition to using the card for other apparent personal charges. The total amount of apparent personal charges on the credit card related to the Bora Bora trip was $8,708.19. Total expenses that do not have supporting documentation were $10,521.23 including the trip to Bora Bora. Credit card expenses dated December 26, 2009 and prior were paid on several dates by the organization with the last date being on January 28, 2010. On February 5, 2010, Mr. Schick repaid $7,500 via a cashiers check to the organization, which was deposited on February 9, 2010. Expenses incurred on the credit card from January 2, 2010 through January 22, 2010 were paid on March 12, 2010 by the organization. On April 28, 2010, Mr. Schick paid $2,100 to the organization through his attorney's trust account. Total amount repaid to the organization was $9,600. The remaining balance in which receipts are not present and therefore a determination cannot be made as to the business or personal nature is $1,216.61.

PART IV: Findings Related to the Financial Statements *(Continued)*

IASB-2010-11A: Kevin Schick's Corporate Credit Card: *(Continued)*

On September 30, 2009, Maxine Kilcrease approved Kevin Schick to be added to the IASB corporate credit card account with a credit limit of $10,000. Based upon the information provided from the bank, it appears Mr. Schick's credit card was set up under the corporate account of the organization. Mr. Schick used this credit card to purchase a trip to Bora Bora for himself and a guest in addition to using the card for other apparent personal charges. The total amount of apparent personal charges on the credit card related to the Bora Bora trip was $8,708.19. Total expenses that do not have supporting documentation were $10,521.23 including the trip to Bora Bora. Credit card expenses dated December 26, 2009 and prior were paid on several dates by the organization with the last date being on January 28, 2010. On February 5, 2010, Mr. Schick repaid $7,500 via a cashiers check to the organization, which was deposited on February 9, 2010. Expenses incurred on the credit card from January 2, 2010 through January 22, 2010 were paid on March 12, 2010 by the organization. On April 28, 2010, Mr. Schick paid $2,100 to the organization through his attorney's trust account. Total amount repaid to the organization was $9,600. The remaining balance in which receipts are not present and therefore a determination cannot be made as to the business or personal nature is $1,216.61.

On January 13, 2010, Mr. Lagerblade e-mailed Mr. Schick and requested Mr. Schick to turn in receipts related to the credit card. Brooks Lodden, P.C. inquired of Mr. Lagerblade if Mr. Schick had notified him of the personal charges on the credit card. Mr. Lagerblade stated that Mr. Schick did not notify him of the personal charges that were charged on the credit card.

Charging personal expenses on the IASB corporate credit card could constitute a loan by the organization to Mr. Schick. Section 504.834 ***Loans to or Guarantees for Directors and Officers*** of Chapter 504 Revised Iowa Nonprofit Corporation Act, which states (1) A corporation shall not lend money to or guarantee the obligation of a director or officer of the corporation. (2) The fact that a loan or guarantee is made in violation of this section does not affect the borrower's liability on the loan. Mr. Schick served as the Chief Financial Officer of the organization and would be deemed to be classified as an officer of the organization. By charging personal expenses on the organization's credit card, Mr. Schick may have violated this statute.

The following table summarizes Mr. Schick's transactions on his corporate credit card account:

Transaction Date	Memo	Amount	Bora-Bora Trip	Receipt Present	Business/ Personal Expense
10/17/09	Lowes	$ 14.70	-	Yes	Business
10/21/09	Lowes	142.07	-	Yes	Business
10/26/09	Rock Bottom	31.49	-	No	No determination made
10/29/09	Annual Membership	15.00	-	N/A	Business
11/01/09	Amazon.com	32.12	-	No	No determination made
11/07/09	Amazon Mktplace	8.49	-	No	No determination made
11/05/09	La Bamba Mexican Rest	24.67	-	No	No determination made
11/09/09	Centro Rest	31.21	-	No	No determination made
11/16/09	Oriental Trading Co	177.19	-	Yes	Business
11/17/09	Noah's Ark Ristorante	50.99	-	No	No determination made
11/19/09	Marriott DSM	6.00	-	No	No determination made
12/03/09	Amazon MktPlace	41.85	-	No	No determination made
12/06/09	Halls Crown Center (KC)	107.73	-	No	No determination made
12/07/09	Asurion Wireless Insurance	50.00	-	No	No determination made

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS *(Continued)*
For the Year Ended June 30, 2011

PART IV: Findings Related to the Financial Statements *(Continued)*

IASB-2010-11A: Kevin Schick's Corporate Credit Card: *(Continued)*

Transaction Date	Memo	Amount	Bora-Bora Trip	Receipt Present	Business/ Personal Expense
12/08/09	RedBox DVD Rental	3.18	-	No	No determination made
12/11/09	RedBox DVD Rental	6.36	-	No	No determination made
12/15/09	Kohl's	63.64	-	No	No determination made
12/15/09	TJMaxx	172.74	-	No	No determination made
12/17/09	Marriott WDSM	11.49	-	No	No determination made
12/18/09	Jimmy's American Café	39.19	-	No	No determination made
12/19/09	TJMaxx	42.38	-	No	No determination made
12/22/09	Amazon MktPlace	5.78	-	No	No determination made
12/21/09	Halls Crown Center(KC)	86.00	-	No	No determination made
12/22/09	Amazon.com	121.07	-	No	No determination made
12/21/09	Centro Restaurant	95.45	-	No	No determination made
12/23/09	Bed Bath & Beyond	33.84	-	No	No determination made
12/27/09	COA Airline Taxes & Fees	50.00	50.00	No	Personal
12/27/09	COA Airline Taxes & Fees	70.00	70.00	No	Personal
12/23/09	Marshalls	101.95		No	No determination made
12/26/09	Continental-Kevin Schick. Departure Date 1/3/2010	297.70	297.70	No	Personal
12/26/09	Continental-Ryan English Departure Date 1/3/2010	297.70	297.70	No	Personal
12/26/09	Southwest Air-Kevin Schick Departure Date 12/27/09	428.70	428.70	No	Personal
12/26/09	Southwest Air-Ryan English Departure Date 12/27/09.	$ 428.70	$ 428.70	No	Personal
12/26/09	Air Tahiti-Ryan English Departure Date 12/27/09	2,154.63	2,154.63	No	Personal
12/26/09	Air Tahiti-Kevin Schick Departure Date 12/27/09	2,154.63	2,154.63	No	Personal
01/02/10	SVC Chg-ISA Fee	27.98	27.98	No	Personal
01/02/10	Saint Regis Hotel	2,798.15	2,798.15	No	Personal
01/08/10	Amazon MktPlace	107.00	-	No	No determination made
01/11/10	Office Max	37.07	-	No	No determination made
01/12/10	PayPal	210.94	-	No	No determination made
01/12/10	Shop Seating	229.00	-	No	No determination made
01/13/10	Amazon MktPlace	108.00	-	No	No determination made
01/14/10	The Big Steer	46.48	-	No	No determination made
01/13/10	Franklin Covey	92.14	-	No	Business
01/16/10	Mister Car Wash	29.07	-	No	No determination made
01/15/10	Tandoor Authentic Indian	37.76	-	No	No determination made
01/14/10	Irish Democrat	41.18	-	No	Business
01/16/10	Kum & Go	57.29	-	No	No determination made
01/18/10	Centro Restaurant	39.90	-	No	No determination made
01/22/10	La Hacienda	23.29	-	No	No determination made
Totals		$ 11,283.89	$ 8,708.19		
Payment 02/05/10		(7,500.00)			
Payment 04/28/10		(2,100.00)			
Business expense		(467.28)			
Total remaining unreimbursed expenses		$ 1,216.61			

PART IV: Findings Related to the Financial Statements *(Continued)*

IASB-2010-11A: Kevin Schick's Corporate Credit Card: *(Continued)*

In order to qualify as an accountable plan, where the expenses would not be considered compensation to the employee, the employer's reimbursement arrangement must meet all of the following requirements:

1. The employee must have incurred the expenses while performing services as an employee and the expenses must have a business connection.

2. The employer generally must reimburse actual expenses [in some situations, the employer may use a per diem rate for the reimbursement (e.g., for lodging and meals and incidentals)]

3. The employee must make an adequate accounting of the expenses to the employer within a reasonable period of time after the expenditure has been incurred.

4. If the employer makes an advance to employees in anticipation of future expenses, (a) the advance must be made within a reasonable period of time of the date the expenses are expected, (b) the amount of the advance must be reasonably expected to equal the future expenses, and (c) the employee must be required to return any unused portion of the advance within a reasonable period of time.

A nonaccountable plan is a reimbursement arrangement that fails one or more of the four requirements of an accountable plan as noted above. Reimbursements paid under a nonaccountable plan are added to the Form W-2 wages of an employee or in the case of a contactor a Form 1099-MISC would be filed; therefore, not requiring employees or contractors to account for the expenses would require these unreimbursed expenses to be treated as compensation to the individual.

Recommendation: The Board should require Mr. Schick to provide documentation on all expenses charged on the credit card. Any receipts which cannot be substantiated as business expenses should be reimbursed back to the organization. Total amount of unsubstantiated expenses remaining unpaid was $1,216.61.

The Board should establish procedures to ensure the organization complies with Section 504.834 *Loans to or Guarantees for Directors and Officers* of Chapter 504 Revised Iowa Nonprofit Corporation Act.

The Board should remove credit cards from all employees and only retain a corporate card to be used for necessary business expenses of the organization. Procedures should be established to include an authorization process in which a transaction is approved before the charge is made to the credit card. A formal form should be prepared and maintained documenting the approval and the business purpose of the transaction. Itemized receipts should be obtained to support all charges on the credit card and given to the accounting department to include as support for the credit card transactions.

Current Status: The Board has requested the money from Mr. Schick. No information has been received as of the date of this report. This has been turned over to the Polk County Prosecutor for further investigation. Amounts were reported on the 2009 Form 990.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS *(Continued)*
For the Year Ended June 30, 2011

PART IV: Findings Related to the Financial Statements ***(Continued)***

IASB-2010-12A: Unauthorized Transfers:

On September 21, 2009, it appears Kevin Schick made an unauthorized transfer from the Iowa Council of School Board Attorneys (ICSBA) account in the amount of $10,000 to Local Government Services (LGS). ICSBA is designated as an agency fund in which IASB manages on behalf of ICSBA. Mr. Schick did not have the authority to make this transfer nor did the ICSBA committee approve Mr. Schick to be an authorized signor on the account. Brooks Lodden, P.C. obtained the signature cards from the bank and noted the signature cards were changed on September 21, 2009 to include Maxine Kilcrease, Kevin Schick, and Mary Delagardelle. No banking resolution authorizing this change on September 21, 2009 was approved by the Board or ICSBA, nor was proper controls established to oversee the duties performed by Mr. Schick. Payment was made to ICSBA in the amount of $10,000 on June 2, 2010.

On December 1, 2009, it appears Kevin Schick made unauthorized transfers from the Iowa School Employee Benefit Association (ISEBA) account in the amount of $500,000 to the Iowa Association of School Boards and LGS. Mr. Schick did not have the authority to make this transfer nor did the ISEBA Board approve Mr. Schick to be an authorized signor on the account. Brooks Lodden, P.C. obtained the signature cards from the bank and noted the signature cards were changed on September 21, 2009 to include Maxine Kilcrease, Kevin Schick, and Mary Delagardelle. No banking resolution authorizing this change on September 21, 2009 was approved by the Board; nor were proper controls established to oversee the duties performed by Mr. Schick. Outside legal counsel researched whether or not ISEBA could loan funds to either the Iowa Association of School Boards or to LGS. Based upon their research of the Iowa Constitution Article VII, this transfer would not be permissible under the Iowa Code. As of June 30, 2010, the remaining balance due to ISEBA was $174,217. Subsequent to year end, the total amount was repaid by the organization to ISEBA.

Recommendation: The Board should establish controls over authorization and the transfer of funds from the organization's bank account.

The Board should establish procedures to ensure a resolution is formally adopted before any personnel are added or removed from the bank signatory cards.

The Board should report the unauthorized transfers to the proper authorities for investigation.

The Board should work with the ICSBA Committee to repay the $10,000 and ISEBA to repay the remaining balance due of $174,217.

Current Status: All amounts have been repaid to ICSBA and ISEBA.

PART IV: Findings Related to the Financial Statements *(Continued)*

IASB-2010-13A: Sale of PaySchools:

During the IASB Executive Committee Meeting on October 14, 2009, Mr. Schick presented information to the Executive Board regarding the possible sale of the PaySchools program to eBay. Mr. Schick stated this is a tentative offer as there are issues that need to be worked out with the contracts.

In the LGS board minutes from the October 26, 2009 meeting stated, *Kevin said he met with eBay (PayPal) representatives and they made an offer to purchase PaySchools for $1.5 million with a down payment of $500,000. The balance of the purchase would be paid January 1.* In addition, the minutes also stated that *Kevin noted he had valuation reports completed for PaySchools. Those reports show that PaySchools has a negative value based on the outstanding merchant account issue with Visa*. Brooks Lodden, P.C. requested the valuation reports and any payments made to any valuation experts; however, no information could be provided to support any valuations performed on the PaySchools program.

At the December 4, 2009 LGS board meeting, *Maxine Kilcrease shared, We have made a deal with eBay for the purchase of PaySchools; LGS can accept their offer or not*. Also at this meeting LeGrande Smith noted that eBay has countersued Jon Muller and Pat Ricci, implying that these individuals were suing eBay. Brooks Lodden, P.C. interviewed both Mr. Muller and Mr. Ricci regarding the eBay lawsuit. Both individuals stated that they were not suing eBay and were very surprised by this accusation. Mr. Smith also provided details regarding the PaySchools resolution noting that approval of the resolution will allow the staff to begin preparing documentation for the transfer. Mr. Smith stated the transfer will include all assets and liabilities of the LGS Corporation. Mr. Schick noted the target date for the transfer to occur was January 15, 2010. Mr. Schick stated that the entire transfer process could take up to six months. He also noted that the employees currently working for PaySchools will have jobs after this transfer is complete.

On January 8, 2010, previous outside counsel sent a letter to the Wells Fargo Law Department which stated that, "*After another considerable period of time, a potential buyer has been found. Due to the confidential nature of the discussions I am not at liberty to divulge the buyer's identity; however, I can report that the parties have engaged in due diligence (which is ongoing), and an understanding has been agreed going forward. I can also report that the buyer is a large, sophisticated party that is aware of VISA's rules and procedures. Because of the nature of the PaySchools business (school year, public bodies, fiscal year endings) a closing date goal has been set for July 1, 2010.*"

This letter provided to Wells Fargo appears to give the impression the previous outside counsel was aware there was a deal between the organization and eBay to sell the PaySchools program; however, no documentation could be provided to Brooks Lodden, P.C. regarding any informal or formal contracts, documents, or discussions on this sale other than the items noted by Mrs. Kilcrease and Mr. Schick in both the IASB and LGS board minutes.

On January 12, 2010, a legal letter was prepared to Perkins & Coie and signed by Mrs. Kilcrease and given to Brooks Lodden, P.C. to confirm any threatened or pending lawsuits. Perkins & Coie is based out of San Francisco, California and was the firm that was allegedly being used by Mr. Schick to help work with the organization on the sale of PaySchools to eBay. Brooks Lodden, P.C. searched for any payments or invoices recorded in the accounting system to determine if any invoices were submitted by this firm to the organization for payment. Based upon our review, no invoices were found for any service this legal firm provided to the organization.

PART IV: Findings Related to the Financial Statements ***(Continued)***

IASB-2010-13A: Sale of PaySchools: ***(Continued)***

In the January 19, 2010 IASB board minutes, Mrs. Kilcrease noted that at the last board meeting the organization tabled the PaySchools presentation due to the lawsuit filed against eBay (i.e. Jon Muller and Pat Ricci). Mr. Schick said with the pending lawsuit that eBay would not advance the $1 million; and therefore, a $1 million line of credit was set up with Bankers Trust. As of January 19, 2010, Mr. Schick stated that $750,000 of the line of credit has been consumed. Brooks Lodden, P.C. spoke with the bank regarding this line of credit and the bank disclosed that they had never entered into a line of credit agreement with the organization nor were there any discussions with Mrs. Kilcrease or Mr. Schick regarding obtaining a line of credit. In the January 19, 2010 LGS board minutes, Mr. Schick stated the sale of PaySchools to eBay should be completed within the next 2-3 weeks. IASB will receive $1.5 million plus a 10-year royalty stream of 85 percent of future revenues.

On January 21, 2010, an employee filed a whistleblower complaint alleging that the sale of PaySchools to eBay was not true and that Mr. Schick was not forthcoming with information to the staff and Board. An investigation was performed by the previous outside counsel. The preliminary report to the Executive Board showed that based upon individuals contacted at eBay, there was never a deal made with eBay regarding the sale of the PaySchools program, nor was eBay involved in any discussions or due diligence related to the purchase of PaySchools as Mrs. Kilcrease, Mr. Schick, and Mr. Smith had presented to the Board. It appears the outside counsel performed the investigation of the PaySchools whistleblower complaint against Mr. Schick, as well as provided legal services to Mr. Schick. In addition, as noted above in the January 8, 2010 letter from previous outside counsel to Wells Fargo, the previous outside counsel appeared to be intimately involved in the eBay deal. The investigation of the PaySchools sale did not include all parties involved in the alleged potential sale of PaySchools.

On January 22, 2010, in a meeting with Mr. Schick, Mr. Smith, Mrs. Delagardelle, representatives from Brooks Lodden, P.C., representatives from the State Auditor's Office, and two board members, Mr. Schick stated that the PaySchools program had a "backdoor" written into the program that allows for the possibility of money to be diverted and this was found by an eBay reviewer during the due diligence process. Brooks Lodden, P.C. interviewed the PaySchools programmer as well as another IT staff member regarding the backdoor issue and what the eBay reviewer found. Both of these individuals stated that they were not aware of any eBay reviewer performing any type of due diligence. In addition, they were not aware of any "backdoor" feature that would allow access to the program from the outside. It does not appear that any due diligence was performed on the sale of the PaySchools program and the Board appears to have been misled by the Executive Council. No financial information could have been relied upon to make an accurate determination of whether it was in the best interest of the organization to sell the PaySchools program as financial statements had not been completed. No formal analysis was given to the Board by Mr. Schick of the potential loss or profitability of the program, nor was there any type of formal valuation of the PaySchools program provided to the Board by Mr. Schick or Mrs. Kilcrease to determine if the alleged $1.5 million purchase price was reasonable.

Recommendation: The Board should establish procedures to ensure that any potential future sales of major assets require a formal analysis of the program, including potential loss or profitability. Any potential purchaser of the asset/program should sign a non-disclosure agreement before any information is provided to the potential purchaser and approved by the Board. Any analysis or valuation of the asset/program to be sold should be brought before the Board before any action is taken on the retention or sale of an asset/program.

Current Status: The organization is continuing to the use the PaySchools software and there are currently no negotiations regarding the sale of PaySchools.

PART IV: Findings Related to the Financial Statements ***(Continued)***

IASB-2010-14A: Accounting Software:

On June 3, 2010, Mr. Schick testified to the Legislative Oversight Committee that IASB's accounting system was archaic, where each organization had its own system that drove the need to purchase new accounting software. In 2006, IASB purchased Microsoft Great Plains accounting software package (now called Microsoft Dynamics) and converted the old accounting data at that time. The organization received and made yearly updates to the software every year through 2009. Each organization managed by the IASB was set up as a separate entity on Microsoft Dynamics and the financials were tracked separately. As a result of the purchase and subsequent updating of the software, it does not appear the system was archaic, nor did each organization use a separate accounting system as stated by Mr. Schick.

The Board was told that financial statements could not be produced as the information was not entered into the accounting system subsequent to June 30, 2009, and the accounting staff would have to enter all of the transactions into the accounting system which would take some time to complete. This did not appear to be an accurate statement as approximately 80-90% of the transactions processed by the accounting department were already entered into the accounting system by separate personnel via the accounts payable or accounts receivable modules. Two separate individuals usually handled these modules separate from Mrs. Albers, and these individuals would update the accounting system immediately when an invoice was received, checks were written, invoices were billed to customers/ members, or deposits were received. After Mrs. Albers was terminated, these employees continued to perform these functions.

On November 25, 2009, Mr. Schick entered into a contract to purchase accounting software in the amount of $47,345 plus an estimated $30,000 for consulting services related to installation, setup, and importing balances, for a total of approximately $77,345. By entering into this contract, Mr. Schick appears to have violated internal policy *Code 205 which states that a single purchase or commitment of greater than $75,000 without prior Board approval cannot be made*. In addition, no other bids were received on this software and the total cost of the software was not disclosed to the Board. IASB minutes dated November 20, 2009 stated the following, "*Software-Accounting and Membership: Kevin said we are in the process of purchasing new accounting software and hope to have it operational by January 1, 2010.*" Since the organization did not have current financial statements from the existing software, it would typically not be feasible to install new software without up to date information. The total paid to the software company through the date of this report was $24,931.

Recommendation: The Board should establish procedures to ensure that all contracts are approved by the Board before any significant items are purchased and request that employees properly follow internal policies (i.e., bidding and board approval, etc.).

Current Status: The organization continues to use Microsoft Dynamics as its accounting software.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS *(Continued)*
For the Year Ended June 30, 2011

PART IV: Findings Related to the Financial Statements *(Continued)*

IASB-2010-15A: Building Remodeling and Purchase of Executive Furniture:

In anticipation of leasing space in the organization's building, Mrs. Kilcrease contracted with Joe Hansen, her former Chief of Staff at AEA 11, to provide consulting and remodeling services related to the building. Mrs. Kilcrease did not properly disclose the relationship to the Board to allow them to determine if a conflict existed. The cost to remodel the building was also not properly disclosed to the Board. Total cost incurred by the organization to remodel the building was approximately $41,018. This remodeling included $18,807 that was spent on the remodel of Mrs. Kilcrease's and Mr. Schick's offices. This included taking four existing offices and converting these offices into two offices, one for Mrs. Kilcrease and one for Mr. Schick. Total amount paid to Mrs. Kilcrease's former Chief of Staff was $12,528 which included $8,170 for consulting fees related to the Phase I & Phase II of the building remodel. In addition, Brooks Lodden, P.C. also noted through a review of invoices of furniture and equipment purchases that approximately $10,817 was spent on furniture for Mrs. Kilcrease's office.

Recommendation: The Board should establish a policy that any contract related to capital improvements or any major purchase of furniture be presented to and approved by the Board. Also, any major capital improvements to the building and potential conflicts of interest should be properly disclosed and reviewed by the Board.

Current Status: The organization is not currently leasing the space indicated above and no further remodeling has taken place.

IASB-2010-16A: Investigation of Allegations:

On September 9, 2009, Mr. Schick and Mrs. Kilcrease met with a school business official and Mr. Schick disclosed to this individual that Jon Muller, prior CFO, had personally received checks from vendors of IASB. Mrs. Kilcrease did not disclose this to Brooks Lodden, P.C. during our fraud inquires on October 12, 2009 and again in the letter to Brooks Lodden, P.C. dated January 22, 2010. Mr. Schick also did not disclose this to Brooks Lodden, P.C. during fraud discussions with Mr. Schick on October 27, 2009. Brooks Lodden, P.C., requested and reviewed documentation on every payment made to Jon Muller from IASB and its related organizations for the period of July 1, 2008 through June 15, 2010. Brooks Lodden, P.C. also reviewed all payroll during this same time, as well as contracts during the audits of all the related organizations, looking for any appearance of any contract being unreasonable. In addition, LWBJ (an outside CPA firm) also performed additional procedures regarding these allegations. No evidence has been uncovered to substantiate the claim made by Mr. Schick.

Recommendation: The Board has a fiduciary duty to protect the organization, including investigating any claims of wrong-doing. However, when these claims are not substantiated and these allegations are communicated to outside parties without any due diligence being performed, it exposes individuals to unwarranted damage to their reputations, and exposes the organization to potential litigation from these individuals. The Board should ensure that claims are investigated in a timely manner and allegations are not communicated to any outside parties until the investigation is completed.

Current Status: As noted above, no evidence has been uncovered to substantiate the claim made by Mr. Schick.

PART IV: Findings Related to the Financial Statements *(Continued)*

IASB-2010-17A: Critical Accounting Routines & Timeliness of Financial Statements:

Critical accounting routines are tasks which are to be completed on a regular basis in order to ensure the timeliness and accuracy of the flow of information to management, and to provide the Board of Directors sufficient timely and accurate information so that they are able to fulfill their oversight responsibilities. During the audit, it became apparent that certain accounts were not being reconciled and financial statements had not been provided to the Board after the termination of the Director of Finance on September 17, 2009. It was not until the prior Director of Finance returned to the organization in March 2010 that financial statements were starting to be prepared and provided to the Board. Financial statements were updated through June 30, 2010 by the prior Director of Finance and were provided to the Board during the September meeting. This individual provided a two-month resignation in order to ensure proper transition of the position and is no longer working with the organization. The organization did not take timely measures in order to properly transition the duties performed by this individual. Subsequently, reconciliations and financial statements are not being prepared in a timely manner.

Recommendation: The Board should ensure that formal policies are incorporated to require management to timely reconcile accounts and provide complete and accurate financial statements on a monthly basis to the Board for review. If management does not provide timely financial statements on a monthly basis to the Board, the Board should obtain an explanation from management to determine if the delay is appropriate.

Current Status: Repeat finding in the current year.

IASB-2010-18A: Segregation of Duties and Supervision & Review:

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements in conformity with U.S. generally accepted accounting principles. Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud affecting the organization involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. The Director of Finance had access to all accounting software and calculated and posted the majority of transactions of the organization. In addition, the PaySchools program service specialists have full access to make changes to school's information in PaySchools. After the termination of the Director of Finance, Mr. Schick was given full access to the accounting system and was added as an authorized signatory on the bank account without any compensating controls being established to oversee his activities. During the year ended June 30, 2010 and subsequent to June 30, 2010, the duties performed by the accounting personnel had not been reviewed by an independent individual.

Recommendation: The Board should require management to review and document current internal controls, establish a process for an ongoing review of these controls, and make changes to adequately segregate the duties of the accounting staff. If the duties cannot be segregated, procedures should be established to ensure the duties are reviewed by an independent individual. This review should be performed monthly and documented on all financial accounting records by formally noting the individual who performed the review.

Current Status: Repeat finding in the current year.

PART IV: Findings Related to the Financial Statements *(Continued)*

IASB-2010-19A: PaySchools Programmer:

The organization hired an in-house programmer in March 2009 to provide the necessary support for the PaySchools program. This programmer has sole access to develop program changes and move them into production. Prudent security practice requires restricting programmers from moving programs into production environments. This type of access increases the risk of a programmer making unauthorized changes resulting in data integrity concerns, possible fraudulent intent, or interruption to the business.

Recommendation: Management should follow prudent security practice by removing the production access from the programmer and assigning an individual independent of program change development to move changes into production. If the duties cannot be segregated, procedures should be established to ensure program changes are reviewed by an independent individual.

Current Status: The organization currently has three programmers working on the PaySchools program. Program developers are assigned to work on the projects as they come in. PaySchools programming is reviewed by a programmer prior to being placed into production. The PaySchools employees have team meetings to review programming changes prior to implementation.

PART IV: Findings and Questioned Costs for Federal Awards

U.S. Department of Education:

IASB-2010-20A: Fund for the Improvement of Education (Skills Iowa)—CFDA No. 84.215K:

On January 22, 2010, an e-mail was sent to Susie Olesen, Skills Iowa Director, from Randy Lagerblade stating, *"We were able to draw a final $476,530.76 today to cover the remaining expenses and overhead allocations which had not been previously drawn. This leaves $17,401.37 of grant money."* On January 25, 2010, the $476,530.76 was deposited into the organization's bank account.

On January 24, 2010, Mrs. Olesen e-mailed Mr. Lagerblade and copied Mrs. Delagardelle stating, "*In August of 2009, Jen Albers told me we had approximately $500,000 left in the account at the end of the grant period. In order to spend the remaining funds, IASB was told by the program officer, Emily Archer, that we had to write a proposal to the USDE on how we would expend the remaining funds after the grant period had ended, and then they could only be expended on activities related to the actual grant year*." Mrs. Olesen explained in her e-mail the cost incurred on the current grant and stated, *"However, if the money you drew down didn't come from this year's grant and instead came from last year's, it was drawn down from the wrong account and will need to somehow be adjusted. Either scenario suggests I need to know exactly how much money is available through the end of the year to operate this grant."* This e-mail was forwarded by Mrs. Delagardelle to Mrs. Kilcrease on January 24, 2010 at 9:44 a.m.

PART IV: Findings and Questioned Costs for Federal Awards ***(Continued)***

U.S. Department of Education: ***(Continued)***

IASB-2010-20A: Fund for the Improvement of Education (Skills Iowa)—CFDA No. 84.215K: ***(Continued)***

On January 28, 2010, the remaining $17,401.37 was submitted to the U.S. Department of Education to be drawn down. On January 29, 2010, the amount was deposited into the organization's bank account. On January 28, 2010, Mrs. Olesen contacted Brooks Lodden, P.C. to notify us of the potential issue with the Skills Iowa grant. During this conversation, she was concerned about the draw down since no financial information was being provided to her for review. On January 29, 2010, Mrs. Olesen sent an e-mail to Mr. Lagerblade and copied Mrs. Delagardelle stating, "*I understand you've been busy this week, but wanted to get on your list of reports. I really do need to see the financials for this year's Skills Iowa grant and see where we are and what's left.*" On January 30, 2010, Mrs. Delagardelle e-mailed Mrs. Olesen and copied Mr. Lagerblade, Mrs. Kilcrease, and Mr. Smith stating, "*Susie, Randy has some work that must be completed within the next 5-7 days and then has to have all of the final information to the auditors by Feb. 15th. These are his two top priorities so he may not be able to print out account reports for a couple of weeks.*" On January 30, 2010 Mrs. Delagardelle e-mailed Mrs. Kilcrease (referring to the January 30, 2010 e-mail noted above) stating, "*Just want you to see how I responded to Susie—Didn't want to "overstep my bounds" but thought I should keep Susie from distracting Randy—she's been contacting him a lot lately for different things…*" Mrs. Kilcrease responded back, "*Very appropriate response*." On February 23, 2010, Mrs. Olesen filed a whistleblower complaint listing several items, including the Skills Iowa grant. It was not until March 10, 2010, when Mrs. Albers returned to the organization that a determination was made that $493,932.12 had been inappropriately drawn down on the federal grant. According to Mrs. Olesen, she was never contacted by Mrs. Kilcrease, Mrs. Delagardelle, or Mr. Lagerblade regarding the possibility of the grant draw being done inappropriately. This amount was paid back to the U.S. Department of Education on April 14, 2010.

For the fiscal year 08-09, the organization received two grants from the Skills Iowa program. A state grant in the amount of $500,000 and a federal grant in the amount of $2,394,015. The organization applied $500,000 of expenditures related to the Skills Iowa grants to the state grant. This documentation was included as backup information for the federal grant draw that Mrs. Albers had originally prepared before the money was drawn down. On July 23, 2009, Brooks Lodden, P.C. discussed with both Mrs. Kilcrease and Mr. Schick the importance of establishing internal control procedures over federal grants to ensure that expenses are appropriate before funds are drawn down. These controls were not put in place. Both Mr. Lagerblade and Mrs. Delagardelle stated that they were unaware the state grant existed; however, Brooks Lodden, P.C. in various e-mails and conversations had requested the breakdown of state and federal expenses to order to make our selection for testing these expenditures. The information requested was also reiterated in a formal letter dated December 11, 2009 to Mr. Lagerblade, Mr. Schick, and Mrs. Kilcrease and again in a formal letter addressed to Mrs. Kilcrease on January 11, 2010. Brooks Lodden, P.C. performed additional fraud inquires with Mrs. Delagardelle on January 11, 2010, and at this time Mrs. Delagardelle stated that Mr. Lagerblade is looking into the state and federal grant draw downs. Management was well informed that two grants existed but did not disclose any information to Brooks Lodden, P.C. In addition, the warning signs by Mrs. Olesen were ignored as well as her requests for financial information to make the determination of the appropriateness of the draws on the federal grant.

PART IV: Findings and Questioned Costs for Federal Awards ***(Continued)***

U.S. Department of Education: ***(Continued)***

IASB-2010-20A: Fund for the Improvement of Education (Skills Iowa)—CFDA No. 84.215K: *(Continued)*

Recommendation: The Board should establish procedures over federal grants to ensure that appropriate documentation is in place and approved before grant funds are drawn down. The Board should also ensure their employees possess the necessary skills to understand the grants, the expenses associated with the grants, and federal laws, rules, and regulations associated with the grants as well as the documentation, reporting, and compliance requirements necessary to support expenditures related to the grants.

Current Status: This amount was paid back to the U.S. Department of Education on April 14, 2010.

IASB-2010-21A: Fund for the Improvement of Education (Skills Iowa)—CFDA No. 84.215K:

During the review of expenditures related to the Skills Iowa program, we found that the organization's subcontracting activities did not comply with the procurement standards set forth in Education Department General Administrative Regulations (EDGAR). The organization did not comply with procurement standards when it awarded the software contracts to US Skills, LLC. Total amount paid to US Skills, LLC for software for the school districts participating in the program was $2,490,000. This instance of noncompliance appears to be the result of a misunderstanding regarding the intention of the grant. The grant received by the organization for the period September 4, 2009 through September 3, 2010, was written as a continuation of the Skills Iowa program that was previously being conducted in the state of Iowa. The software used in this program was originally purchased by Education Leaders Council (ELC) in 2002. In a report dated July 28, 2006, from the Office of Inspector General of the U.S. Department of Education (OIG), it was noted that ELC did not properly procure the software; however, the prices paid by ELC for the software were reasonable relative to the prices paid by other clients of the software vendor. This software continued to be used by the Iowa teachers and schools participating in the Follow the Leaders (FTL) program, later renamed Skills Iowa.

IASB started administering the Skills Iowa program during the 2007-2008 fiscal year. Based upon information provided by management, the cost of the software received during the year was provided at a 59% discount to the organization. On June 2, 2010, the software bidding was discussed with the U.S. Department of Education and the interpretation of the U.S. Department of Education was that since the software being purchased took the presence of a software update versus the purchasing of new software, the software would not have to be submitted to the rebidding process.

Recipients are required under EDGAR to establish policies and procedures for procurement. Regulations in 34 C.F.R. §§ 74.40 through 74.48 contain the procurement standards to be used by grantees.

PART IV: Findings and Questioned Costs for Federal Awards *(Continued)*

U.S. Department of Education: *(Continued)*

IASB-2010-21A: Fund for the Improvement of Education (Skills Iowa)—CFDA No. 84.215K: *(Continued)*

These procurement standards include:

- The recipient shall maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts. 34 C.F.R. § 74.42
- All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. 34 C.F.R. § 74.43
- All recipients shall establish written procurement procedures. 34 C.F.R. § 74.44(a)
- Recipients shall, on request, make available for the Secretary, procurement documents, such as request for proposals or invitations for bids, independent cost estimates, et cetera, when certain conditions apply. Examples of these conditions include (1) a recipient's procurement procedures fail to comply with the procurement standards, and (2) the procurement is expected to exceed $25,000 and is to be awarded without competition. 34 C.F.R. § 74.44(e)
- Some form of cost or price analysis must be made and documented in the procurement files in connection with every procurement action. 34 C.F.R. § 74.45
- Procurement records for purchases in excess of $25,000 must include the following at a minimum: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price. 34 C.F.R. § 74.46

The management of the organization is responsible for establishing and maintaining effective internal control over federal programs that provides reasonable assurance that the organization is managing federal awards in compliance with laws, regulations, and grant provisions. Additionally, the management of the organization is responsible for complying with laws, regulations, and grant provisions related to its federal programs.

Recommendation: The organization should adopt procurement policies and procedures that comply with all the requirements set forth in regulations in 34 C.F.R. §§ 74.40 through 74.48 and ensure that it complies with procurement and documentation standards set forth in the Department of Education regulations when renewing or awarding any federally funded contract. To avoid any future issues with bidding on the unique items, the cost comparisons and the explanation of why the amount will not be bid out should be in the application to the Department of Education and pre-approved to ensure that all parties agree in advance of how the grant money will be spent.

Current Status: As noted above, on June 2, 2010, the software bidding was discussed with the U.S. Department of Education and the interpretation of the U.S. Department of Education was that since the software being purchased took the presence of a software update versus the purchasing of new software, the software would not have to be submitted to the rebidding process.

PART IV: Findings and Questioned Costs for Federal Awards *(Continued)*

U.S. Department of Education: *(Continued)*

IASB-2010-22A: Fund for the Improvement of Education–FIE Earmark Grant Awards (Lighthouse)—CFDA No. 84.215K:

During audit we noted the federal grant draws for the Lighthouse grant were not performed in a timely manner. The timeliness of the draw down of federal funds was a result of several individuals assigned to the grant not providing their time to the accounting department in a timely manner. Brooks Lodden, P.C. reviewed several e-mails sent by the prior Director of Finance to the Deputy Executive Director and one of the contractors requesting the information in order to complete the documentation to draw down the federal grant money. Both of these individuals did not provide the information in a timely manner in order for the prior Director of Finance to draw down the money timely. Attachment B, Selected Items of Cost, Section 8(m) Support of Salaries and Wages, of A-122 Cost Principles for Non-Profit Organizations, states the reports of salary must be prepared at least monthly and must coincide with one or more pay periods. Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization. In addition, one of the individuals the organization contracted with to perform services to the grant did not have a signed contract.

Recommendation: The Board should establish procedures to require employees working on federal grants to account for their time at least monthly and include a full detailed description of the activities performed by the employee on a daily basis. In addition, any contractors working on the grant should have a signed contract on file before any payments are made to the individual.

Current Status: Lighthouse grant was completed during the prior fiscal year.

Brooks Lodden P.C.
certified public accountants

Telford A. Lodden, CPA, CFP®, CVA, Shareholder
Bruce W. Hartley, CPA, Shareholder
John E. Lamale, CPA, Shareholder
Brent L. Alexander, CPA, Shareholder

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) for the year ended June 30, 2011, and have issued our report thereon dated April 6, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted accounting standards, *Government Auditing Standards,* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 23, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Iowa Association of School Boards are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of other existing policies was not changed during the year ended June 30, 2011. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's estimate of the interest rate swap liability (based on market rates) the pension plan liability (based upon certain actuarial assumptions pertaining to interest rates, inflation rates and employee demographics), and the deferred tax asset (based upon the expected use of the asset to offset taxable income in the future) all of which are subject to change.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. However, the issuance of the audit reports was delayed as a result of the requested information not being provided to us in a timely manner.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has posted all such adjusting entries. In addition to adjusting entries, certain reclassification entries were posted for proper presentation. See the attached schedule for the adjusting and reclassifying entries posted for the year ended June 30, 2011.

1441 29th Street, Suite 305 • West Des Moines, IA 50266 • Phone: 515.223.7300 • Fax: 515.223.8778

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 6, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. See the "Schedule of Expenditures of Federal Awards and Other Information" and the management letter dated April 6, 2012 for other audit findings or issues noted during the audit.

During the prior year audit, the Schedule of Expenditures of Federal Awards detailed many findings and management's responses. The Association has created a matrix of their responses and current status for Board review. The following are some of the items we noted during the audit.

- The Board established a Compensation and Benefits Committee.
- The Board established a Governance and Bylaws Committee.
- The Association implemented an exit interview process.
- The Association requested amounts from Maxine Kilcrease, Mary Delagardelle, Kevin Schick, and LeGrande Smith. Amounts were repaid by LeGrande Smith. All individuals were reported on the Association's 2009 Form 990.
- The Financial Condition and Activities policy was revised to state the Executive Director shall not allow the organization to make loans or guarantees of obligations on behalf of a director or officer of the corporation.
- The Board passed and updated Travel Expense policy, eliminating payment by the organization for spousal travel.
- The Board passed an Internal Control resolution requiring two signatures for approval of funds transfers between IASB and LGS accounts.

This information is intended solely for the use of the Board of Directors and management of Iowa Association of School Boards and is not intended to be and should not be used by anyone other than these specified parties.

Brooks Lodden, P.C.

West Des Moines, Iowa
April 6, 2012

Iowa Association of School Boards
Adjusting Journal Entries
6/30/2011

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 101			
to record prepaid expense for postage meter refill paid on 6/10/2011			
01-1090-00-0100	Prepaid USPS Postage	5,000.00	
01-5510-03-1001	Postage-Association Administration		5,000.00
Total		**5,000.00**	**5,000.00**
Adjusting Journal Entries JE # 102			
to expense items capitalized below the capitalization policy			
01-5580-02-1079	Supplies-Skills Iowa	10,943.96	
01-1100-02-1079	Computer Hardware-Skills Iowa		10,943.96
Total		**10,943.96**	**10,943.96**
Adjusting Journal Entries JE # 103			
to record current year depreciation expense and accumulated depreciation			
01-5910-03-1001	Depreciation-Association Admin	2,554.74	
01-1020-00-0500	Accum Dep-Computer Software		2,554.74
Total		**2,554.74**	**2,554.74**
Adjusting Journal Entries JE # 104			
to record accounts receivable items from ISBF			
01-1060-02-1070	Accounts Receivable-ISBF	3,900.00	
01-1060-02-1070	Accounts Receivable-ISBF	4,732.70	
01-1060-02-1070	Accounts Receivable-ISBF	5,884.71	
01-4080-92-8174	Prof Srvs-ISBF-Qwest Grant Admin		5,884.71
01-5500-02-8113	Accounting Fees-Board of Directors Governance		3,900.00
01-5500-02-8113	Accounting Fees-Board of Directors Governance		4,732.70
Total		**14,517.41**	**14,517.41**
Adjusting Journal Entries JE # 105			
to record accrued vacation at 6/30/2011			
01-5670-03-1006	Salaries-Vacation	42,423.39	
01-2075-00-0100	Accrued Vacation		42,423.39
Total		**42,423.39**	**42,423.39**
Adjusting Journal Entries JE # 106			
to adjust retained earnings to 6/30/2010 balance			
01-3500-00-0100	Fund Balance	2,428.70	
01-3500-00-0100	Fund Balance	17,648.32	
01-5670-03-1001	Salaries-Association Admin	1,714.92	
01-1070-00-1001	Accounts Receivable-Grants		2,428.70

Iowa Association of School Boards
Adjusting Journal Entries
6/30/2011

Account	Description	Debit	Credit
01-3500-00-0100	Fund Balance		1,714.92
01-5670-03-1001	Salaries-Association Admin		17,648.32
Total		**21,791.94**	**21,791.94**

Adjusting Journal Entries JE # 107
to record adjustments to balance AP listing to Tb at 6/30/2011

Account	Description	Debit	Credit
01-1070-00-1007	Accounts Receivable-ISCAP	3,020.00	
01-2050-00-0100	Accounts Payable	79,962.40	
01-5550-02-1079	Prof Fees-Skills Iowa	1,242.50	
01-5550-02-8175	Prof Fees - Research CSA	525.00	
01-5550-03-1001	Prof Fees-Association Admin	16,377.50	
01-5550-03-8100	Prof Fees - Board Development - General	105.00	
01-5580-03-1001	Supplies-Assoc Admin	37.90	
01-5580-03-1001	Supplies-Assoc Admin	85.35	
01-5630-02-1079	Phone-Skills Iowa	823.71	
01-5640-02-1079	Staff Travel-Skills Iowa	351.40	
01-5640-02-5023	Staff Travel-Local Bd Developmt	38.76	
01-5640-03-1001	Staff Travel-Association Admin	40.80	
01-5640-03-1001	Staff Travel-Association Admin	364.04	
01-5650-03-1046	Travel-Bd of Dir-NSBA Mtg Board	450.80	
01-5760-07-5152	Conf-MR Food-District Meetings	280.17	
01-5760-07-5152	Conf-MR Food-District Meetings	318.44	
01-5760-07-5152	Conf-MR Food-District Meetings	1,043.74	
01-5800-02-8101	Hosting/Domain-Research General	750.00	
01-2050-00-0100	Accounts Payable		25,855.11
01-4140-02-7045	Safety Group Dividends		79,962.40
Total		**105,817.51**	**105,817.51**

Adjusting Journal Entries JE # 108
to record AP items noted during the search for unrecorded

Account	Description	Debit	Credit
01-5550-02-1007	Prof Fees-ISCAP	7,194.00	
01-5550-03-1001	Prof Fees-Association Admin	2,020.47	
01-2050-00-0100	Accounts Payable		9,214.47
Total		**9,214.47**	**9,214.47**

Adjusting Journal Entries JE # 109
to reduce the pension liability for minimum contributions recorded in pension expense

Account	Description	Debit	Credit
01-2080-00-0107	Pension Obligation	136,792.00	
01-5720-03-1001	Pension		136,792.00
Total		**136,792.00**	**136,792.00**

Iowa Association of School Boards
Adjusting Journal Entries
6/30/2011

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 110			
to record the change in pension liability			
01-2080-00-0107	Pension Obligation	102,274.00	
01-4590-03-1001	Change in Pension Liability		102,274.00
Total		**102,274.00**	**102,274.00**
Adjusting Journal Entries JE # 111			
to recorded July 2011 credit card statement (June activity)			
01-1070-00-1007	Accounts Receivable-ISCAP	8.03	
01-1070-00-1007	Accounts Receivable-ISCAP	119.11	
01-5640-01-4019	Staff Travel-LRC	20.50	
01-5640-01-4019	Staff Travel-LRC	222.94	
01-5640-02-8106	Staff Travel-Research-Lighthouse Project	37.26	
01-5640-02-8106	Staff Travel-Research-Lighthouse Project	69.09	
01-5640-02-8106	Staff Travel-Research-Lighthouse Project	85.95	
01-5640-03-1001	Staff Travel-Association Admin	4.57	
Adjusting Journal Entries JE # 111 *(continued)*			
01-5640-03-1001	Staff Travel-Association Admin	12.50	
01-5640-03-1001	Staff Travel-Association Admin	12.50	
01-5640-03-1001	Staff Travel-Association Admin	12.50	
01-5640-03-1001	Staff Travel-Association Admin	12.50	
01-5640-03-1001	Staff Travel-Association Admin	110.69	
01-5640-03-1001	Staff Travel-Association Admin	110.69	
01-5640-03-1045	Staff Travel-NSBA Meetings Staf	4.50	
01-5640-03-1045	Staff Travel-NSBA Meetings Staf	6.08	
01-5640-03-1045	Staff Travel-NSBA Meetings Staf	25.00	
01-5640-03-1045	Staff Travel-NSBA Meetings Staf	25.00	
01-5640-03-1045	Staff Travel-NSBA Meetings Staf	33.29	
01-5640-03-1045	Staff Travel-NSBA Meetings Staf	474.46	
01-5640-07-2026	Staff Travel-Admin Advisory Council	134.60	
01-5640-07-2026	Staff Travel-Admin Advisory Council	220.77	
01-2050-00-0100	Accounts Payable		1,762.53
Total		**1,762.53**	**1,762.53**
Adjusting Journal Entries JE # 112			
to allocate suspense account to intercompany			
01-1060-00-0005	Inter Company Transfer Account-LGS	4,860.00	
01-1060-00-0005	Inter Company Transfer Account-LGS	6,634.00	
01-5950-00-1001	Miscellaneous Account		4,860.00
01-5950-00-1001	Miscellaneous Account		6,634.00
Total		**11,494.00**	**11,494.00**

Adjusting Journal Entries JE # 113

Iowa Association of School Boards
Adjusting Journal Entries
6/30/2011

Account	Description	Debit	Credit
to remove Lighthouse revenue recorded in prior year from receivable; to record bad debt expense for Lighthouse & Skills Iowa prior disallowed costs			
01-4160-02-8106	Grants - Federal Lighthouse Grant	537.27	
01-5960-00-0100	Bad Debt Expense	1,422.47	
01-1070-00-1001	Accounts Receivable-Grants		125.92
01-1070-00-1001	Accounts Receivable-Grants		537.27
01-1070-00-1001	Accounts Receivable-Grants		1,296.55
Total		**1,959.74**	**1,959.74**
Adjusting Journal Entries JE # 114			
to record the actual draw amount for Draw 11 and the portion of Draw 12 that relates to June 2011			
01-1070-00-1001	Accounts Receivable-Grants	2,066.21	
01-1070-00-1001	Accounts Receivable-Grants	2,211.81	
01-4160-02-1079	Grants - Federal-Skills Iowa Grants		2,066.21
01-4160-02-1079	Grants - Federal-Skills Iowa Grants		2,211.81
Total		**4,278.02**	**4,278.02**
Adjusting Journal Entries JE # 115			
to record the disallowed phone allowance for Skills Iowa			
01-4160-02-1079	Grants - Federal-Skills Iowa Grants	10,175.00	
01-1070-00-1001	Accounts Receivable-Grants		1,800.00
01-1070-00-1001	Accounts Receivable-Grants		3,525.00
01-1070-00-1001	Accounts Receivable-Grants		4,850.00
Total		**10,175.00**	**10,175.00**
Adjusting Journal Entries JE # 116			
to record intercompany receivable for insurance originally recorded on IASB"s books, should have been recorded on LGS			
01-1060-00-0005	Inter Company Transfer Account-LGS	4,970.00	
01-5880-03-1902	General Insurance		4,970.00
Total		**4,970.00**	**4,970.00**
Adjusting Journal Entries JE # 117			
to record administrative fee for Lighthouse (receivable from ISBF)□			
01-1060-02-1070	Accounts Receivable-ISBF	2,000.00	
01-4180-02-8106	Consult Srvs-Lighthouse		2,000.00
Total		**2,000.00**	**2,000.00**
Adjusting Journal Entries JE # 118			
to record refund from Brick Gentry for ISCAP legal fees			
01-2050-00-0100	Accounts Payable	7,680.00	
01-1070-00-1007	Accounts Receivable-ISCAP		7,680.00
Total		**7,680.00**	**7,680.00**

Iowa Association of School Boards
Adjusting Journal Entries
6/30/2011

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 119			
to record deferred revenue for ICSBA and to eliminate accounts receivable for ICSBA			
02-4010-00-7008	Membership Dues	4,690.00	
02-4010-00-7008	Membership Dues	7,260.00	
02-1060-00-0100	Accounts Receivable		4,690.00
02-2100-00-0100	Deferred Income		7,260.00
Total		**11,950.00**	**11,950.00**
Adjusting Journal Entries JE # 120			
to adjust intercompany and Playgrounds Sponsorship for amount allocable to LGS			
01-4190-02-1077	Sponsorship-Playgrounds	1,017.90	
01-1060-00-0005	Inter Company Transfer Account-LGS		1,017.90
Total		**1,017.90**	**1,017.90**
Adjusting Journal Entries JE # 121			
to record allowance for Maxine & Mary D receivable			
01-5960-00-0100	Bad Debt Expense	82,611.43	
01-1060-00-0101	Allowance for Doubtful Accounts		82,611.43
Total		**82,611.43**	**82,611.43**
Adjusting Journal Entries JE # 122			
to write off uncollectible Accounts Receivable for National Playground Compliance and NCompass Technologies			
01-5960-00-0100	Bad Debt Expense	1,866.89	
01-1060-00-0100	Accounts Receivable		1,866.89
Total		**1,866.89**	**1,866.89**
Adjusting Journal Entries JE # 123			
to record amounts to be contributed to Darlene Blair"s 401(k) account			
01-5720-00-1001	401k Contributions	3,368.65	
01-2050-00-0100	Accounts Payable		3,368.65
Total		**3,368.65**	**3,368.65**
Adjusting Journal Entries JE # 124			
to record an allowance for Draw #6 of the 09-10 Skills Iowa grant; payment still to be determined			
01-4160-02-1079	Grants - Federal-Skills Iowa Grants	27,273.85	
01-1060-00-0101	Allowance for Doubtful Accounts		27,273.85
Total		**27,273.85**	**27,273.85**

Iowa Association of School Boards
Reclassifying Journal Entries
6/30/2011

Account	Description	Debit	Credit
Reclassifying Journal Entries JE # 201			
to reclass travel for Cost of Contacting Legislators			
01-5640-03-1001	Staff Travel-Association Admin	18.36	
01-5640-01-4003	Staff Travel-Legislative Lobbying		18.36
Total		**18.36**	**18.36**
Reclassifying Journal Entries JE # 202			
to adjust the cash balance to actual per bank reconciliation at 6/30/2011			
01-1060-00-0100	Accounts Receivable	3,289.00	
01-1010-00-0600	Cash-Bankers Trust Checking		3,289.00
Total		**3,289.00**	**3,289.00**
Reclassifying Journal Entries JE # 203			
to reclass grant activity to Accounts Receivable - Grants			
01-1060-00-0100	Accounts Receivable	14,667.15	
01-1060-00-0100	Accounts Receivable	72,923.19	
01-1060-00-0100	Accounts Receivable	140,674.99	
01-1070-00-1001	Accounts Receivable-Grants	96,344.91	
01-1070-00-1001	Accounts Receivable-Grants	269,374.14	
01-1060-00-0100	Accounts Receivable		96,344.91
01-1060-00-0100	Accounts Receivable		269,374.14
01-1070-00-1001	Accounts Receivable-Grants		14,667.15
01-1070-00-1001	Accounts Receivable-Grants		72,923.19
01-1070-00-1001	Accounts Receivable-Grants		140,674.99
Total		**593,984.38**	**593,984.38**
Reclassifying Journal Entries JE # 204			
to reclass amounts from contingency to bad debt expense for paybacks to USDE from prior year			
01-5960-00-0100	Bad Debt Expense	10,544.00	
01-5780-03-1001	Contingency		10,544.00
Total		**10,544.00**	**10,544.00**

Local Government Services
Adjusting Journal Entries
6/30/2011

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 101			
to record ISEBA sponsorship payable to IASB and ISEA			
12-5950-00-7046	Sponsorship-ISEBA-ISEA	51,215.15	
12-5950-01-7046	Sponsorship-ISEBA-IASB	51,215.15	
12-2050-00-0100	Accounts Payable		51,215.15
12-2060-00-1001	InterCompany Transfer to IASB from LGS		51,215.15
Total		**102,430.30**	**102,430.30**
Adjusting Journal Entries JE # 102			
PBC - to record entries posted by client after receipt of the trial balance			
12-1060-00-0100	Accounts Receivable	5,750.00	
12-5950-01-1078	Sponsorship-PaySchools-IASB	36,155.50	
12-2060-00-1001	InterCompany Transfer to IASB from LGS		36,155.50
12-4190-00-1048	Admin Fees-GASB Program		5,750.00
Total		**41,905.50**	**41,905.50**
Adjusting Journal Entries JE # 103			
to adjust current year depreciation expense to actual			
12-1020-00-0100	Accum Amortization & Depreciation	23,461.88	
12-1020-00-0100	Accum Amortization & Depreciation	41,293.26	
12-5910-00-0100	Depreciation		23,461.88
12-5910-00-1078	Depr-PaySchools		41,293.26
Total		**64,755.14**	**64,755.14**
Adjusting Journal Entries JE # 104			
to record accounts payable items at 6/30/2011 noted during search for unrecorded			
12-5540-01-0100	Equip Maintenance-Copy Machines & Printers	2,302.17	
12-5550-00-1048	Prof Fees-GASB Program	9,000.00	
12-5550-00-7070	Prof Fees-IDATP Testing Fees	1,811.00	
12-5790-00-0100	Connectivity	2,996.95	
12-2050-00-0100	Accounts Payable		16,110.12
Total		**16,110.12**	**16,110.12**
Adjusting Journal Entries JE # 105			
to record accrued interest payable at 6/30/2011			
12-5870-00-0100	Interest Expense-Building Loans	1,329.31	
12-2040-00-0100	Accrued Interest Payable		1,329.31
Total		**1,329.31**	**1,329.31**

Local Government Services
Adjusting Journal Entries
6/30/2011

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 106			
to adjust retained earnings to 6/30/2010			
12-4190-00-1048	Admin Fees-GASB Program	6,750.00	
12-3500-00-0100	Fund Balance		6,750.00
Total		**6,750.00**	**6,750.00**
Adjusting Journal Entries JE # 107			
to record ISBF admin fee			
12-1060-00-0100	Accounts Receivable	5,351.06	
12-4190-00-1070	Admin Fees-ISBF		5,351.06
Total		**5,351.06**	**5,351.06**
Adjusting Journal Entries JE # 108			
to record IDATP revenue (remove from deferred) - designated for IDATP program			
12-2110-00-7070	Deferred Income-IDATP	90,000.00	
12-4190-00-7070	Admin Fees-IDATP		90,000.00
Total		**90,000.00**	**90,000.00**
Adjusting Journal Entries JE # 109			
to record receivable for ICAT for 12th month			
12-1060-00-0100	Accounts Receivable	3,000.00	
12-4190-00-1088	Admin Fees-ICAT Construction Program		3,000.00
Total		**3,000.00**	**3,000.00**
Adjusting Journal Entries JE # 110			
to adjust GASB 45 revenue to actual			
12-1060-00-0100	Accounts Receivable	5,750.00	
12-1060-00-0100	Accounts Receivable	6,750.00	
12-4190-00-1048	Admin Fees-GASB Program	12,750.00	
12-1060-00-0100	Accounts Receivable		5,750.00
12-1060-00-0100	Accounts Receivable		6,000.00
12-1060-00-0100	Accounts Receivable		6,750.00
12-1060-00-0100	Accounts Receivable		6,750.00
Total		**25,250.00**	**25,250.00**
Adjusting Journal Entries JE # 111			
to record Gallagher credit issued on Grinnell invoice			
12-2050-00-0100	Accounts Payable	1,000.00	
12-5550-00-1048	Prof Fees-GASB Program		1,000.00
Total		**1,000.00**	**1,000.00**

Local Government Services
Adjusting Journal Entries
6/30/2011

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 112			
to adjust vacation accrual to actual at 6/30/2011 (JP was overaccrued)			
12-2075-00-0100	Accrued Vacation	1,462.68	
12-5670-00-0100	Salaries		1,462.68
Total		**1,462.68**	**1,462.68**
Adjusting Journal Entries JE # 113			
to adjust staff insurance and accounts receivable for GH insurance reimbursement received from Hawkeye CC posted incorrectly			
12-1060-00-0100	Accounts Receivable	1,249.72	
12-5700-00-0100	Staff Insurance		1,249.72
Total		**1,249.72**	**1,249.72**
Adjusting Journal Entries JE # 114			
to record the bad debt recovery for E-myth and remaining balance to allowance for bad debts			
12-4500-00-1295	Rent-E-Myth	38,000.00	
12-2070-00-0100	Allowance for Doubtful Accounts		21,622.84
12-4030-00-0100	Interest Income		622.82
12-5960-00-0100	Allowance for Doubtful Accounts		15,754.34
Total		**38,000.00**	**38,000.00**
Adjusting Journal Entries JE # 115			
to record credit card statement July 2011 (June activity)			
12-5550-00-0100	Prof Fees	375.00	
12-5640-00-0100	Staff Travel	25.00	
12-5640-00-1008	Staff Travel-ISJIT	22.30	
12-5640-00-1008	Staff Travel-ISJIT	24.63	
12-5640-00-1008	Staff Travel-ISJIT	25.19	
12-5640-00-1008	Staff Travel-ISJIT	26.35	
12-5640-00-1008	Staff Travel-ISJIT	26.80	
12-5640-00-1008	Staff Travel-ISJIT	26.91	
12-5640-00-1008	Staff Travel-ISJIT	27.94	
12-5640-00-1008	Staff Travel-ISJIT	45.36	
12-5640-00-1078	Staff Travel-PaySchools	22.30	
12-5640-00-1078	Staff Travel-PaySchools	24.63	
12-5640-00-1078	Staff Travel-PaySchools	25.19	
12-5640-00-1078	Staff Travel-PaySchools	26.36	
12-5640-00-1078	Staff Travel-PaySchools	26.80	
12-5640-00-1078	Staff Travel-PaySchools	26.92	
12-5640-00-1078	Staff Travel-PaySchools	27.94	
12-5640-00-1078	Staff Travel-PaySchools	45.36	
12-5641-00-1008	Staff Travel-Meals-ISJIT	0.80	
12-5641-00-1008	Staff Travel-Meals-ISJIT	1.61	
12-5641-00-1008	Staff Travel-Meals-ISJIT	2.04	

Local Government Services
Adjusting Journal Entries
6/30/2011

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 115 *(continued)*			
12-5641-00-1008	Staff Travel-Meals-ISJIT	4.77	
12-5641-00-1008	Staff Travel-Meals-ISJIT	4.84	
12-5641-00-1008	Staff Travel-Meals-ISJIT	6.26	
12-5641-00-1008	Staff Travel-Meals-ISJIT	6.32	
12-5641-00-1078	Staff Travel-Meals-PaySchools	0.79	
12-5641-00-1078	Staff Travel-Meals-PaySchools	1.60	
12-5641-00-1078	Staff Travel-Meals-PaySchools	2.03	
12-5641-00-1078	Staff Travel-Meals-PaySchools	4.77	
12-5641-00-1078	Staff Travel-Meals-PaySchools	4.85	
12-5641-00-1078	Staff Travel-Meals-PaySchools	6.26	
12-5641-00-1078	Staff Travel-Meals-PaySchools	6.33	
12-5790-00-0100	Connectivity	33.90	
12-5790-00-0100	Connectivity	169.46	
12-5800-00-0100	Hosting/Domain Registrations	719.96	
12-5800-00-1078	Hosting-PaySchools	436.08	
12-5880-00-1909	Building Maintenance-Grounds	101.43	
12-5880-00-1911	Building Maintenance-Repairs General	26.99	
12-5880-00-1911	Building Maintenance-Repairs General	73.64	
12-5880-00-1911	Building Maintenance-Repairs General	90.14	
12-2050-00-0100	Accounts Payable		2,153.63
12-5580-00-1078	Supplies-PaySchools		132.25
12-5800-00-0100	Hosting/Domain Registrations		269.97
Total		**2,555.85**	**2,555.85**
Adjusting Journal Entries JE # 116			
to allocate suspense account to inter-company			
12-1010-00-0200	Bankers Trust-Checking	117.57	
12-5990-00-0100	Suspense Account	6,634.00	
12-2060-00-1001	InterCompany Transfer to IASB from LGS		6,634.00
12-5990-00-0100	Suspense Account		117.57
Total		**6,751.57**	**6,751.57**
Adjusting Journal Entries JE # 117			
PBC - to correct entries made 1/31/2011 to record money received in IASB lockbox for LGS			
12-1060-00-0100	Accounts Receivable	4,860.00	
12-2050-00-1001	AP-IASB-Expenses		4,860.00
Total		**4,860.00**	**4,860.00**
Adjusting Journal Entries JE # 118			
to record sick time accrual for PK (payable upon termination)			
12-5670-00-0100	Salaries	20,000.00	
12-2076-00-0100	Accrued Sick Time - PK Termination Payout		20,000.00
Total		**20,000.00**	**20,000.00**

Local Government Services
Adjusting Journal Entries
6/30/2011

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 119			
to record insurance policy on LGS (originally recorded on IASB)			
12-5710-00-0100	General Insurance	4,970.00	
12-2060-00-1001	InterCompany Transfer to IASB from LGS		4,970.00
Total		**4,970.00**	**4,970.00**
Adjusting Journal Entries JE # 120			
to record IPTA revenue for April - June			
12-1060-00-0100	Accounts Receivable	874.89	
12-4190-00-2070	Admin Fees-IPTA		874.89
Total		**874.89**	**874.89**
Adjusting Journal Entries JE # 121			
to record marketing fee for Playgrounds National allocable to LGS and adjust intercompany			
12-2060-00-1001	InterCompany Transfer to IASB from LGS	1,017.90	
12-4190-00-1077	Admin Fees-Playgrounds National		1,017.90
Total		**1,017.90**	**1,017.90**
Adjusting Journal Entries JE # 122			
to adjust the balance in the AR/AP for PaySchools to actual at 6/30/2011			
12-2050-01-1078	AP-NSBA PaySchools National	5,673.98	
12-5930-01-1078	Banking Fees-PaySchools National		5,673.98
Total		**5,673.98**	**5,673.98**
Adjusting Journal Entries JE # 123			
to record additional 401(k) contributions owed to LB due to improper discretionary match %			
12-5720-00-0100	Retirement Benefits (401k)	3,080.58	
12-2050-00-0100	Accounts Payable		3,080.58
Total		**3,080.58**	**3,080.58**

Local Government Services
Reclassifying Entries
6/30/2011

Account	Description	W/P Ref	Debit	Credit
Reclassifying Journal Entries JE # 201				
to reclass the current portion of long-term debt				
12-2140-00-0100	Current Portion of Long Term Debt		2,000.00	
12-2130-00-0100	Current Portion of Long Term Debt			2,000.00
Total			**2,000.00**	**2,000.00**
Reclassifying Journal Entries JE # 202				
to reclass general insurance expense from staff insurance				
12-5710-00-0100	General Insurance		23,426.00	
12-5700-00-0100	Staff Insurance			23,426.00
Total			**23,426.00**	**23,426.00**
Reclassifying Journal Entries JE # 203				
to reclass T.Voy expenses to proper account				
12-5550-00-7079	Prof Fees-Transportation Services		3,334.00	
12-5550-00-7070	Prof Fees-IDATP Testing Fees			3,334.00
Total			**3,334.00**	**3,334.00**
Reclassifying Journal Entries JE # 204				
to reclass the printing income from ISEBA to miscellaneous expenses offset				
12-5590-00-7046	Printing-ISEBA		411.00	
12-5990-00-0100	Suspense Account			411.00
Total			**411.00**	**411.00**
Reclassifying Journal Entries JE # 205				
to reclass balance from Give 2 Schools AP to PaySchools Natl AP (only one account is being used for reconciliation purposes by LGS)				
12-2050-01-1078	AP-NSBA PaySchools National		15,359.71	
12-2050-00-3022	AP-NSFA Give2Schools			15,359.71
Total			**15,359.71**	**15,359.71**
Reclassifying Journal Entries JE # 206				
to reclass Vision Tech Consulting from salaries to Prof Fees - Development-PaySchools				
12-5550-00-1078	Prof Fees-Development & Others-PaySchools		28,518.75	
12-5670-00-1078	Salaries-PaySchools			28,518.75
Total			**28,518.75**	**28,518.75**

Iowa Association of School Boards Foundation
Adjusting Journal Entries
6/30/2011

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 101			
to record administrative fees to IASB for administration of Qwest grant			
09-5950-00-8174	Admin Fees-Qwest Foundation Project	5,884.71	
09-2050-00-1001	Accounts Payable-IASB		5,884.71
Total		**5,884.71**	**5,884.71**
Adjusting Journal Entries JE # 102			
to eliminate debit balance in AP and record accounting fees paid by IASB for ISBF			
09-5500-00-1070	Accounting Fees-General	3,900.00	
09-5500-00-1070	Accounting Fees-General	4,732.70	
09-2050-00-1001	Accounts Payable-IASB		3,900.00
09-2050-00-1001	Accounts Payable-IASB		4,732.70
Total		**8,632.70**	**8,632.70**
Adjusting Journal Entries JE # 103			
to record administrative expenses due to IASB for expenses incurred for Lighthouse (remove net asset restriction)			
09-5950-00-8106	Administrative Fees - Lighthouse	2,000.00	
09-2050-00-1001	Accounts Payable-IASB		2,000.00
Total		**2,000.00**	**2,000.00**
Adjusting Journal Entries JE # 104			
to record administrative fees to LGS (9% of fees per agreement)			
09-5950-00-1070	Administrative Support- LGS	5,351.06	
09-2050-00-1039	Accounts Payable-LGS		5,351.06
Total		**5,351.06**	**5,351.06**

Iowa Association of School Boards Foundation
Reclassifying Entries
6/30/2011

Account	Description	Debit	Credit
Reclassifying Journal Entries JE # 201			
to reclass 2011-2012 grant money received from Qwest to deferred revenue			
09-1060-00-0100	Accounts Receivable	50,000.00	
09-2100-00-0100	Deferred Income		50,000.00
Total		**50,000.00**	**50,000.00**

Iowa School Cash Anticipation Program - Administrative Fund
Adjusting Journal Entries
6/30/2011

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 101			
to record interest and adjust cash balance to actual at 6/30/2011			
04-1010-00-1180	ISCAP-ISJIT-FLR-Designated Bankers Trust	592.14	
04-4030-00-1001	Interest Income		592.14
Total		**592.14**	**592.14**
Adjusting Journal Entries JE # 102			
to agree accounts payable to IASB accounts receivable - ISCAP at 6/30/2011			
04-5550-00-0100	Legal Fees	3,020.00	
04-5580-00-1007	Supplies	127.14	
04-2050-00-0100	Accounts Payable		3,147.14
Total		**3,147.14**	**3,147.14**
Adjusting Journal Entries JE # 103			
to record refund from Brick Gentry (rec"d by IASB) regarding overbillings			
04-2050-00-0100	Accounts Payable	7,680.00	
04-5550-00-0100	Legal Fees		7,680.00
Total		**7,680.00**	**7,680.00**

Iowa Schools Cash Anticipation Program - Administrative Fund
Reclassifying Entries
6/30/2011

Account	Description	Debit	Credit
Reclassifying Journal Entries JE # 201			
reclass 08-09 Series B Gain on Cost of Issuance			
04-4010-00-0100	Fee Income	4,242.42	
04-4090-00-0100	Gain on Cost of Issuance		4,242.42
Total		**4,242.42**	**4,242.42**
Reclassifying Journal Entries JE # 202			
reclass 2010-11 Series B interest expense on behalf of schools			
04-5720-00-0100	Interest Expenses on Behalf of Schools	708.89	
04-4090-00-0100	Gain on Cost of Issuance		708.89
Total		**708.89**	**708.89**

Iowa Schools Joint Investment Trust - Admin Fund
Adjusting Journal Entries
6/30/2011

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 101			
to record Compliance Resource payment on 8/2/2010 as an expense and remove debit from accounts payable			
13-5500-00-0100	Accounting Fees/Compliance Fees	1,000.00	
13-2050-00-0100	Accounts Payable		1,000.00
Total		**1,000.00**	**1,000.00**
Adjusting Journal Entries JE # 102			
to record additional accounts payable item for Davis Law June 2011 activity			
13-5550-00-0100	Legal	918.00	
13-2050-00-0100	Accounts Payable		918.00
Total		**918.00**	**918.00**
Adjusting Journal Entries JE # 103			
To adjust for the Moody's refund received in August.			
13-1060-00-0100	Accounts Receivable	4,410.00	
13-5930-00-0100	Rating Services		4,410.00
Total		**4,410.00**	**4,410.00**

Iowa School Joint Investment Trust - Admin Fund
Reclassifying Entries
6/30/2011

Account	Description	Debit	Credit
Reclassifying Journal Entries JE # 201			
to reclass banking fees from supplies			
13-5960-00-0001	Checking Writing Program	968.94	
13-5580-00-0100	Misc-Supplies		968.94
Total		**968.94**	**968.94**

Brooks Lodden P.C.
certified public accountants

Telford A. Lodden, CPA, CFP®, CVA, Shareholder
Bruce W. Hartley, CPA, Shareholder
John E. Lamale, CPA, Shareholder
Brent L. Alexander, CPA, Shareholder

To the Management and the Audit Committee
of the Iowa Association of Schools Boards

In planning and performing our audit of the consolidated financial statements (financial statements) of the Iowa Association of School Boards (the Association) for the year ended June 30, 2011, we considered the Association's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Association's internal control in our report dated April 6, 2012. This letter does not affect our report dated April 6, 2012, on the consolidated financial statements of the Association.

We will be pleased to discuss these comments in further detail at your convenience. Our comments are summarized as follows:

Record Retention

Under Code 203.1R17 of the Iowa Association of Schools Boards Association Policies, it indicates cancelled checks are to be retained for seven years, unless the payments are for taxes, purchases of property, or important contracts, which should be retained permanently. During the current year, IASB changed from paper bank statements to electronic statements. Due to this change, the organization no longer received images of the cancelled checks and therefore violated its record retention policy. The organization had the ability to print images for a fee up to 90 days after clearing the bank statement; however, the organization was not printing images to retain with its records and comply with its policy. During the audit, IASB contacted the bank and was able to obtain copies of the cancelled check images to complete necessary procedures for the audit. Association staff are currently making copies of the checks prior to mailing the checks to facilitate receiving bank statements electronically. Management and the Board should determine if this is the best route for the Association. The intent of electronic bank statements was to reconcile the bank accounts within 10 days after month end; however, bank accounts are not reconciled until the end of the month. We recommend the organization return to paper statements in order to receive the cancelled check images and eliminate the staff time of copying the checks.

Minutes of the board of directors, executive committees, and closed session minutes should be retained with the corporate documents of the organization to ensure the organization has record of all actions taken by the board and its executive committee.

Non-accountable plan

A non-accountable plan is a reimbursement or expense allowance arrangement in which supporting documentation is not provided in order to substantiate the expenses. An employee received a car allowance, which was included in the employee's compensation; however, this employee also used the company credit card for gas purchases. This individual did not turn in mileage reports to substantiate business mileage for which the gas purchases were made. For the fiscal year ended June 30, 2011, gas purchases made by this employee were approximately $2,700. We recommend the Association calculate the amounts incurred on the company credit card for gas purchases by this employee for the calendar year and include such amount on the employee's Form W-2 as wages or other compensation.

1441 29th Street, Suite 305 • West Des Moines, IA 50266 • Phone: 515.223.7300 • Fax: 515.223.8778

Compensation

Under Code 203.1R3 of the Iowa Association of Schools Boards Association Policies, it indicates all changes shall be reviewed by the Compensation and Benefits Committee and approved by the Board to be effective. An employee's salary was increased from $28,000 to $48,000 on October 1, 2011 without prior approval of the Compensation and Benefits Committee. The Committee subsequently approved the increase during their meeting on November 18, 2011 to be paid retroactively; however, the employee had already received three paychecks at the increased salary prior to approval. If the Committee had not approved the increase, the Association would have needed to adjust this employee's payroll for the subsequent period to reflect the proper pay rate or evaluate whether this employee had received excess benefits due to the increased compensation. We recommend the Association implement procedures to ensure salary increases are not effective in the payroll system until approval from the Compensation and Benefits Committee and the Board has been provided to management.

Separate Management & Issuance of Stock

IASB is a non-profit organization; however, it also has a wholly-owned for-profit subsidiary. Currently, IASB continues to provide financial support to LGS. Cash flow loans are provided either directly or through the payment of invoices. In the January 12, 2011 LGS board minutes, management indicated it may be necessary to use the stabilization fund (IASB) to meet payroll since LGS salaries exceeded the budget due to additional employees hired. January 12, 2011 LGS board minutes discuss the issue of a receivable from LGS payable to IASB and determines there needs to be discussion regarding LGS's equity position. The minutes also indicate staff should work with legal counsel to establish a process regarding this situation. Since the two entities are essentially operating as one entity, the tax-exempt status of IASB could be called into question as to whether the organization is fulfilling its mission or providing the services of a for-profit entity. We recommend IASB and LGS operate as separate entities, using their own resources, and consider issuing additional stock in regards to the advances made to LGS by IASB.

Cognizant Agency

The Association has received grant funding from the US Department of Education (USDE) for the Skills Iowa program. Currently, IASB has processes for reviewing and approving the invoices and documentation for draw reimbursements; however, during the fiscal year, all invoices and documentation were reviewed by the USDE prior to reimbursement. During the early draws, USDE indicated phone allowances were unallowable and denied reimbursement for these expenses; however, the Association continued to include phone allowances in subsequent draws. The total amount of phone allowances requested and denied by USDE for the fiscal year was $10,175. During the year, the Association also received requests from USDE regarding responses for audit resolutions for the June 30, 2009 audit period; the Association did not respond to the requests in a timely fashion. The Audit Resolution Specialist assigned to the Association's June 30, 2009 audit requested information on December 17, 2010 from the Association's management; however, information was not provided until the end of April 2011. The audit report for June 30, 2009 was going to be reported to the Office of Chief Financial Office as an overdue audit due to no response. USDE did receive responses prior to the report being reported as overdue. We recommend the Association implement procedures to ensure items that have been declined by USDE are not repeatedly requested, this will save the Association time and expedite the review process by USDE. We also recommend the Association implement procedures to proactively respond to the requests of USDE to ensure proper and timely resolution of matters.

Professional fees

Over the past two years, the Association has incurred significant legal expenses. We recommend separate general ledger accounts for legal and consulting expenses to increase transparency of the Association's financial statements. We recommend the audit/finance committee review legal invoices in order to understand what services are being requested by the Association management and what services are being performed by legal counsel.

Compliance

The Association is subject to Chapter 21 of the Iowa Code. Currently, the Association is posting the agenda and minutes for the Board meeting and the Committees of the Board of Directors. However, the Association has Committees that are not a subcommittee of the Board of Directors. We recommend the Association request clarification as to the intent of open meetings, posting of agendas, and posting of minutes as it relates to committees, and clarification of which committees are required to comply with Chapter 21. In addition, we recommend at the beginning of each meeting, the following should be indicated in the minutes, the date, time, and location and by whom the agenda was posted and if applicable, media notified and date of notification.

The Association is subject to Section 279.38A of the Iowa Code. Under this section, the Association "shall publish a listing of school districts and annual dues paid by each, the total revenue received from each school resulting from the payment of membership fees and the sale of products and services to districts by the association or its affiliated for-profit entity, and shall publish an accounting of all monies expended for expenses incurred by and salaries paid legislative representatives and lobbyists of the association. The association shall submit to the federal assembly copies of all reports the association provides to the United States Department of Education relating to federal grants and grant amounts that the association or its affiliated for-profit entity administers or distribute to school districts." A listing of membership dues and Schedule of Costs of Contacting Legislators was published for the IASB Delegate Assembly. The Association has not submitted the final report for Skills Iowa; however, management has indicated a copy of the report will be provided to the Legislative Service Agency. Association management has also indicated upon completion of the audit, the Association's website will show the total revenue that IASB and LGS received from each school district in 2010-2011 resulting from the payment of membership fees and the sale of products and services to the school districts. We recommend the Association request clarification as to the proper reporting for Section 279.38A of the Iowa Code (ie. annual reporting period: calendar or fiscal year, basis of accounting: cash or accrual, determination of qualified publications)

Risk Assessment

During the past two years, the Association has undergone many changes. The Association now has permanent management in place to lead the Association forward. In order to assess the nature and risks associated with the Association, we recommend the Association create a Risk Assessment Committee. This committee should spend time examining the controls within the Association as well as LGS and assess where the Committee believes the risks lie within the organization. After the assessment has been completed, the Committee should establish ongoing monitoring activities to ensure the Board is up-to-date on the areas for improvement. In addition to the Risk Assessment Committee, we recommend the Association appoint an individual to the role of Compliance Officer. This individual should be responsible for overseeing the Association's compliance with payroll reporting, IRS regulations, State of Iowa Code, the US Department of Education as well as the Association's internal policies.

Password Protection and Security

The organization has multiple programs it uses on a daily basis which contain valuable and sensitive information, in addition to access to financial assets. The current internet environment harbors individuals which seek to access such programs for personal gain. In order to protect the organization, we recommend the individuals within the organization change their passwords for all programs on a regular basis. We also recommend the individuals use a combination of alphabetical, numerical, and special characters to heighten the security and limit the potential for false entry into the organization's programs.

Accounting Department and Financial Statements

Financial activities of the Association have been placed under additional scrutiny during the past two years. Management of the Association needs to evaluate the necessary skill sets and staffing requirements to ensure the Accounting Department is functioning effectively and efficiently. We recommend management, in conjunction with the Accounting Department, develop a series of checklists. These checklists should include monthly reporting checklists, yearly reporting checklists, standard monthly journal entry template, as well as a monthly financial statement review binder indicating the individual who prepared the financials as well as the reviewer. The monthly financial review binder should include the financial statements, trial balance, and all supporting schedules and reconciliations (ie, bank reconciliations, subsidiary ledgers, accrual calculations, etc.) noting agreement to the trial balance. In addition, we recommend the Association allocate all expenses by program to effectively review the viability of the programs. These procedures will facilitate more accurate, complete, and timely financial statements are presented to the Board.

This report is intended solely for the information and use of the audit committee, board of directors, management, and others within the Association and is not intended to be and should not be used by anyone other than these specified parties.

Brooks Lodden, P.C.

West Des Moines, Iowa
April 6, 2012