IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

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
James R. Pistillo, CPA, Shareholder

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the Iowa Association of School Boards (the Association) and its controlled entities, which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Iowa Association of School Boards and its controlled entities as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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

Report on Summarized Comparative Information

We have previously audited the Association's 2012 financial statements, and our report dated January 29, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in schedules 1 through 7 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.

Brooks Lodden, P.C.

West Des Moines, Iowa
October 17, 2013

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2013
With Comparative Totals for 2012

ASSETS	**2013 Consolidated Totals**	**2012 Comparative Totals**
Cash and cash equivalents	$ 2,605,865	$ 2,206,460
Assets held on behalf of others in an agency capacity:		
Cash - Iowa Schools Joint Investment Trust	1,272,289	1,607,455
Accrued interest receivable	587,067	1,169,633
Certificates of deposit	1,225,000	1,225,000
Repurchase agreements	69,383,000	232,223,000
Commercial paper	53,457,046	-
U.S. government agency obligations	344,187,095	314,197,322
Accounts receivable, net of allowance 2013 $82,611; 2012 $82,611	295,820	337,772
Office property and equipment, net	2,955,754	3,054,121
Prepaid expenses	140,927	136,241
Total assets	$ 476,109,863	$ 556,157,004
LIABILITIES		
Accounts payable	$ 111,000	$ 474,409
Deferred revenue	465,251	388,387
Interest rate swap	179,553	247,117
Accrued wages	72,000	130,766
Accrued vacation	24,380	26,128
Accrued interest	1,344	1,410
Accrued property taxes	70,670	69,293
	$ 924,198	$ 1,337,510
Agency fund - held in trust for participants in ISJIT	$ 469,190,476	$ 549,434,037
Accrued pension benefit liability	$ 844,151	$ 1,042,052
Mortgage payable	$ 1,050,280	$ 1,079,940
Total liabilities	$ 472,009,105	$ 552,893,539
NET ASSETS		
Unrestricted	$ 4,100,758	$ 3,253,171
Temporarily restricted	-	10,294
Total net assets	$ 4,100,758	$ 3,263,465
Total liabilities and net assets	$ 476,109,863	$ 556,157,004

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2013
With Comparative Totals for 2012

	Unrestricted	Temporarily Restricted	2013 Consolidated Totals	2012 Comparative Totals
REVENUES				
Memberships	$ 1,205,060	$ -	$ 1,205,060	$ 1,166,335
Publications, forms and materials	176,387	-	176,387	186,541
Convention and conferences	591,949	-	591,949	530,481
Consulting services	21,300	-	21,300	21,400
Professional services	96,324	-	96,324	174,055
Contributions	-	-	-	50
Administrative services	1,003,227	-	1,003,227	1,052,870
Online payment services	717,009	-	717,009	2,482,705
PaySchools earn-out fees	187,250		187,250	-
Sponsorships	128,885	-	128,885	129,156
Risk management and insurance program	421,879	-	421,879	421,336
Grants	50,000	-	50,000	138,368
Rental income	99,800	-	99,800	118,251
Net assets released from restrictions satisfied by payments	10,294	(10,294)	-	-
Total revenues	$ 4,709,364	$ (10,294)	$ 4,699,070	$ 6,421,548
EXPENSES				
Salaries	$ 1,349,243	$ -	$ 1,349,243	$ 1,840,403
Payroll taxes	110,437	-	110,437	147,095
Retirement benefits	-	-	-	19,167
Benefit costs	23,818	-	23,818	28,203
Staff insurance	149,870	-	149,870	207,748
Program management	275,283	-	275,283	326,868
Staff development	1,829	-	1,829	872
Marketing	172,169	-	172,169	116,969
Travel	116,424	-	116,424	119,294
Building operations	228,877	-	228,877	202,110
Equipment and computers	203,282	-	203,282	83,061
Depreciation and amortization	93,555	-	93,555	126,566
Office supplies	25,229	-	25,229	32,973
Cartage and postage	13,516	-	13,516	18,489
Telephone	21,446	-	21,446	30,742
Investment advisory fees	143,626	-	143,626	178,928
Professional fees	1,037,811	-	1,037,811	1,167,458
Skills Iowa expenses	-	-	-	37,628
Rating service	-	-	-	9,000
Sponsorship fees	113,633	-	113,633	345,753
Printing	35,298	-	35,298	39,938
Reference materials	4,569	-	4,569	2,292
Dues	90,880	-	90,880	90,497
Conventions and conferences	227,594	-	227,594	243,404
Interest	100,219	-	100,219	100,275
Web hosting, registration and internet	49,786	-	49,786	52,910
Contributions	44,995	-	44,995	44,832
Miscellaneous	14,020	-	14,020	23,676
Bad debt expense	2,526	-	2,526	152
Program banking fees	440,365	-	440,365	1,086,739
Total expenses	$ 5,090,300	$ -	$ 5,090,300	$ 6,724,042

(Continued)

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2013
With Comparative Totals for 2012

	Unrestricted	Temporarily Restricted	2013 Consolidated Totals	2012 Comparative Totals
OTHER REVENUE (EXPENSE)				
Interest income	$ 3,995	$ -	$ 3,995	$ 8,288
Other income	75,075	-	75,075	277,677
Investment income	802,049	-	802,049	909,488
Dividends issued to participants in ISJIT	(24,066)	-	(24,066)	(101,687)
Change in value of interest rate swap	67,564	-	67,564	(10,581)
Change in accrued pension liability	88,069	-	88,069	(494,164)
Gain on the sale of PaySchools	212,430	-	212,430	-
Gain (loss) on the cost of issuance	3,407	-	3,407	(10)
Total other revenue	$ 1,228,523	$ -	$ 1,228,523	$ 589,011
Change in net assets	$ 847,587	$ (10,294)	$ 837,293	$ 286,517
Net assets at beginning of year	3,253,171	10,294	3,263,465	2,976,948
Net assets at end of year	$ 4,100,758	$ -	$ 4,100,758	$ 3,263,465

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2013
With Comparative Totals for 2012

	2013 Consolidated Totals	2012 Comparative Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 837,293	$ 286,517
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation and amortization	93,555	126,566
Swap liability	(67,564)	10,581
(Gain) on the sale of PaySchools	(212,430)	-
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	41,952	207,568
Accrued interest receivable	(8,586)	(8,798)
Other assets	(4,686)	(131,241)
(Decrease) increase in liabilities:		
Accounts payable	(363,409)	241,969
Accrued property taxes	1,377	(34,039)
Accrued interest	8,520	8,879
Accrued wages	(58,766)	(55,081)
Accrued vacation	(1,748)	(38,049)
Accrued pension liability	(197,901)	348,642
Deferred revenue	76,864	1,571
Net cash provided by operating activities	$ 144,471	$ 965,085
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from the sale of PaySchools	$ 217,242	$ -
Net cash provided by investing activities	$ 217,242	$ -
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of units to ISCAP	$ 67,352	$ (163,299)
Principal payments on notes payable	(29,660)	(28,050)
Net cash provided by (used in) financing activities	$ 37,692	$ (191,349)
Net increase in cash and cash equivalents	$ 399,405	$ 773,736
Cash and cash equivalents at beginning of year	2,206,460	1,432,724
Cash and cash equivalents at end of year	$ 2,605,865	$ 2,206,460
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 100,425	$ 100,184

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 endorsed 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 endorsed 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.

During the year ended June 30, 2011, 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.

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)*

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. The Association currently has no such assets.

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

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. The Association currently has no such contributions.

Repurchase agreements:

ISJIT's investment policy allows the organization to enter into collateralized perfected repurchase agreements secured by the U.S. government or U.S. government agency obligations. A repurchase agreement involves the sale of such securities to ISJIT with the concurrent agreement of the seller to repurchase them at a specified time and price to yield an agreed-upon rate of interest. The securities collateralizing the agreement are held by the custodian and regularly verified and maintained daily in an amount equal to at least 102% of the agreements. At June 30, 2013, 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 $70,770,662, 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 Financial Accounting Standards Board (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, including Lighthouse training.

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

Investment services, which includes ISJIT and other investment programs.

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

PaySchools, which is an online payment processing program.

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

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

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

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, 2010 through 2013.

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

LGS maintains cash on deposit in a noninterest-bearing transaction account at a financial institution which routinely is in excess of the traditional FDIC insurable limits.

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

Note 4. Property and Equipment

At June 30, 2013 the cost and accumulated depreciation of property and equipment were as follows:

Land	**$ 505,638**
Buildings and improvements	**2,980,092**
Office equipment	**126,576**
Computer equipment	**383,705**
Computer software	**281,612**
	$4,277,623
Less accumulated depreciation and amortization	**1,321,869**
	$2,955,754

Note 5. Agency Funds

Agency fund activity for the year ended June 30, 2013 was as follows:

	ISJIT
Balance at beginning of year	**$ 549,434,037**
Revenue:	
Units sold	**1,552,557,508**
Units redeemed	**(1,631,981,735)**
Dividends issued	**101,687**
Eliminations	**(921,021)**
Balance at end of year	**$ 469,190,476**

Note 6. 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, 2013:

Deferred tax assets	**$ 1,500,189**
Valuation allowance	**(1,500,189)**
	$ -

The Board decided to apply a 100% valuation allowance to the deferred tax asset for periods going forward.

As of June 30, 2013, LGS had a net operating loss carryforward of $3,581,451 that can be deducted against future taxable income. This tax carryforward amount will expire as follows:

June 30,	
2026	**$ 1,040,892**
2027	**939,673**
2028	**1,119,306**
2029	**481,580**
	$3,581,451

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, 2013:

Fair value of plan assets at beginning of period	**$2,504,501**
Actual return of plan assets	**138,876**
Employer contributions	**109,832**
Benefits paid	**(169,938)**
Fair value of plan assets at end of period	**$2,583,271**
Benefit obligation at beginning of period	**$3,546,553**
Interest cost	**147,541**
Actuarial (gain)	**(96,734)**
Benefits paid	**(169,938)**
Projected/accumulated benefit obligation at end of period	**$3,427,422**
Plan assets in deficit of projected/accumulated benefit obligation	**$ (844,151)**

Note 7. Retirement Plans (*Continued)*

Pension Plan: *(Continued)*

Changes to unrestricted net assets are as follows:

Plan assets in deficit of projected/accumulated benefit obligation at June 30, 2012		**$1,042,052**
Change in accrued pension liability shown in the statement of activities:		
Components of net periodic benefit cost:		
Interest cost	**$ 147,541**	
Expected return of plan assets	**(133,386)**	
Amortization of net loss	**41,853**	
Net periodic benefit cost	**$ 56,008**	
Other changes:		
Net (gain)/loss	**$ (102,224)**	
Amortization of net gain/(loss)	**(41,853)**	
Total other changes	**$ (144,077)**	
Total change	**$ (88,069)**	**(88,069)**
Employer contributions		**(109,832)**
Plan assets in deficit of projected/accumulated benefit obligation at June 30, 2013		**$ 844,151**

Plan assets allocations were comprised of the following investment classifications at June 30, 2013:

Equity securities	**27%**
Fixed income securities	**46**
Debt securities	**27**
	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.

Note 7. Retirement Plans (*Continued)*

Pension Plan: *(Continued)*

The following are actuarial assumptions used by the Plan to develop the projected benefit obligations for the period ended June 30, 2013:

Discount rate	**4.50%**
Expected long-term rate of return on plan assets	**6.00%**

The benefits expected to be paid in each year from 2014 to 2018 are $150,000, $150,000, $320,000, $540,000, and $160,000, respectively. The aggregate benefits expected to be paid in the five years from 2019 to 2023 are $1,340,000. The expected benefits to be paid are based on the same assumptions used to measure the Association's benefit obligation at June 30, 2012 and include estimated employee service. The Association expects to make contributions of $44,191 during the upcoming year.

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

Interest cost:	
On $3,427,422 projected benefit obligation	**$ 154,234**
Adjustment for expected benefit distributions of $150,000	**(3,375)**
Interest cost	**$ 150,859**
Expected return on plan assets:	
On $2,583,271 market value of assets at measurement date	**$ (154,996)**
Adjustment for expected employer contributions of $44,191	**(1,402)**
Adjustment for expected benefit distributions of $150,000	**4,500**
Adjustment for estimated administrative expenses	**21,000**
Expected return on plan assets	**$ (130,898)**
Amortization of net (gain) loss:	
Prior year total net (gain) loss	**$ 731,336**
Amount recognized in net periodic benefit cost	**(41,853)**
Actuarial (gain) loss	**(96,734)**
Actual return on assets (gain) loss	**(138,876)**
Expected return on assets gain (loss)	**133,386**
Total current year net (gain) loss	**$ 587,259**
10% of greater of asset value or benefit obligation (after changes, if applicable)	**342,742**
(Gain) loss to recognize	**$ 244,517**
Average future service	**8.67**
Amortization of net (gain) loss	**$ 28,203**

Note 7. Retirement Plans (*Continued)*

Pension Plan: *(Continued)*

Effective August 31, 2006, all accrued benefits under the Plan have been frozen at their current amount. No future accrual service will be credited, and no future changes in compensation will be taken into account in the determination of a participant's accrued benefit. The Association amended the Plan to terminate effective August 1, 2008. During the year ended June 30, 2010, the Board voted to rescind the Plan termination 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, 2013, and the Plan assets are valued at their fair value at June 30, 2013.

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. Beginning September 1, 2011, the Association suspended the employer-matching contributions. Subsequent to year end, the Association has amended the terms of the plan and reinstated the employer-matching contributions. The contribution percentage will be determined annually by the Board of Directors.

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, 2013, the balance of the single advance term note was $1,050,280 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, 2013 was $2,946,411.

The bank has provided LGS a permanent waiver regarding the rental agreement with ISEBA, which is now an administrative services agreement. A waiver was received from the bank for the current year violation.

Mortgage payable maturities of the Association for the next three years are as follows:

Years	Amount
2014	**$ 31,970**
2015	**34,460**
2016	**983,850**
	$1,050,280

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, 2013 was $93,110.

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, 2013.

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

At June 30, 2013, the information pertaining to the outstanding interest rate swap agreement used to hedge variable-rate debt is as follows:

Swap #21257A

Notional amount	**$1,310,980**
Weighted average pay rate	**0.19%**
Weighted average receive rate	**5.62%**
Weighted average maturity in years	**2.8**
Unrealized (loss) relating to interest rate swap	**$ (179,553)**

The above agreement provides for the Association to make payments at a variable rate of 0.19% in exchange for receiving payments at a fixed rate of 5.62%. At June 30, 2013, the unrealized (loss) related to use of interest rate swaps was recorded as a derivative liability in accordance with authoritative guidance issued by the Financial Accounting Standards Board (FASB).

Note 10. Fair Value Measurements

Fair value of the assets and liabilities measured on a recurring basis at June 30, 2013 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	**$ 1,225,000**	**$ -**	**$ 1,225,000**	**$ -**
U.S. government agency agency obligations	**344,187,095**	**-**	**344,187,095**	**-**
Repurchase agreements	**69,383,000**	**-**	**69,383,000**	**-**
Commercial paper	**53,457,046**		**53,457,046**	
Pension plan assets	**2,583,271**	**-**	**2,468,464**	**114,807**
Liabilities:				
Interest rate swap	**179,553**	**-**	**-**	**179,553**
Net fair value	**$471,014,965**	**$ -**	**$470,720,605**	**$ 294,360**

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, 2013.

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 the 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):

June 30, 2013	Interest Rate Swap Liability	Pension Plan Assets (U.S. Property Separate Account)
Beginning balance	**$247,117**	**$111,634**
Change in value	**(67,564)**	**3,173**
Ending balance	**$179,553**	**$114,807**

Changes in net assets for the year ended June 30, 2013 for the interest rate swap liability are reported as change in value of the interest rate swap on the statements of activities. Changes in net assets for the year ended June 30, 2013 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, 2013:

Unrestricted net assets:	
Undesignated	**$3,165,562**
Board designated:	
Loss Reserve-ISCAP	**781,749**
Insurance Division Stabilization Reserve	**72,921**
Iowa Council of School Board Attorneys	**52,302**
Legal Service Fund	**28,224**
Total	**$4,100,758**

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, 2013, LGS received $296,911 for administrative services for the ISEBA program. LGS paid commissions to IASB and ISEA in the amount of $57,566 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, 2013 was $72,921. The annual Safety Group dividends are now paid directly by the insurance company.

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, 2013 was $28,224. The LSF amount has been classified under unrestricted net assets as designated by the Association's Board of Directors for the Legal Service Fund.

The Association also established the Iowa Council of School Board Attorneys (ICSBA) which is available to attorneys representing members of the Association who elect to pay membership dues to ICSBA. The funds received are used to provide membership in the National School Board Association's Council of School Attorneys and services such as special topic workshops and materials published by the Association. The amount in the ICSBA is not recorded as a liability in the Association's financial statements as ICSBA is considered a special committee of the Association. The balance in ICSBA at June 30, 2013 was $52,302. The ICSBA amount has been classified under unrestricted net assets as designated by the Association's Board of Directors for the Iowa Council of School Board Attorneys.

ISCAP created a loss reserve to reduce future costs of issuance by strategies including reduced insurance costs. The balance designated by management for the loss reserve for the year ended June 30, 2013 was $781,749. For the year ended June 30, 2013, $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 $48,826 at June 30, 2013. 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, 2013. The bank has required the Association to establish an account with the bank to be used as collateral in the amount of $48,955. Subsequent to year end, the letter of credit collateral was reduced to $4,741 with an expiration date of September 30, 2014.

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 annual payments in the amount of $36,000 plus interest for each payment until September 2014. The remaining balance as of June 30, 2013 was $72,000.

Annually the Association holds a convention in November. In association with the convention, certain agreements are signed and agreed upon prior to the event. The Association has signed agreements for speakers and the convention location at June 30, 2013.

Note 15. Lease Commitments

Operating leases:

As of June 30, 2013, LGS leases office equipment (through February 19, 2015) and a postage meter (through May 5, 2016) under operating lease agreements. Future minimum lease payments required under the leases are as follows:

Year Ending June 30,	
2014	$ 27,636
2015	17,801
2016	1,800
	$ 47,237

Total rent expense was $25,741 the year ended June 30, 2013.

Note 16. Sale of PaySchools

During the year ended June 30, 2013, LGS sold the PaySchools program for $500,000 plus an earn-out to be received over the next five years, with a minimum earn-out of $700,000 and a maximum of $1,200,000. The earn-out is based on transaction counts of the schools participating in the PaySchools program at the time of the sale. During the year ended June 30, 2013, LGS recorded $187,250 in earn-out revenue for October 2012 through June 2013. Amount receivable at June 30, 2013 was $147,250. The potential remaining earn-out to be received by LGS is a minimum of $512,750 and a maximum $1,012,750.

Expenses associated with the sale of PaySchools totaled $282,758 and are detailed as follows:

Finder fee and commission on sale	$ 130,000
Employee incentives and related benefits	140,550
Legal fees	12,180
Wire fees	28
Total	$ 282,758

Reconciliation of the gain on the sale of PaySchools as shown on the consolidated statement of activities:

Sale price	$ 500,000
Expenses associated with sale	(282,758)
Loss on sale of fixed assets	(4,812)
Gain on the sale of PaySchools	$ 212,430

Note 17. Comparative Totals

The amounts shown for 2012 in the accompanying financial statements are included to provide a basis for comparison with 2013 and are not intended to present all information necessary for a fair presentation in conformity with U.S. generally accepted accounting principles.

Note 18. Reclassifications

Certain 2012 amounts on the financial statements have been reclassified to conform to the 2013 classifications. Such reclassifications have no effect on the reported change in total net assets.

Note 18. Subsequent Events

Management has evaluated subsequent events through October 17, 2013, the date the audit report was available to be issued.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 1

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2013
With Comparative Totals for 2012

ASSETS	Iowa Association of School Boards & Subsidiary	Iowa Association of School Boards Foundation	Iowa Schools Joint Investment Trust	Iowa Schools Cash Anticipation Program	Eliminations	2013 Consolidating Totals	2012 Comparative Totals
Cash and cash equivalents	$ 2,570,757	$ -	$ 35,108	$ 921,021	$ (921,021)	$ 2,605,865	$ 2,206,460
Assets held on behalf of others in an agency capacity:							
Cash - Iowa Schools Joint Investment Trust	-	-	1,272,289	-	-	1,272,289	1,607,455
Accrued interest receivable	-	-	587,067	-	-	587,067	1,169,633
Certificates of deposit	-	-	1,225,000	-	-	1,225,000	1,225,000
Repurchase agreements	-	-	69,383,000	-	-	69,383,000	232,223,000
Commercial paper	-	-	53,457,046	-	-	53,457,046	-
U.S. government agency obligations	-	-	344,187,095	-	-	344,187,095	314,197,322
Accounts receivable, net of allowance 2013: $82,611; 2012: $82,611	291,649	-	4,171	-	-	295,820	337,772
Accounts receivable - related entities	29,894	-	-	-	(29,894)	-	-
Office property and equipment, net	2,955,754	-	-	-	-	2,955,754	3,054,121
Prepaid expenses	139,387	-	-	1,540	-	140,927	136,241
Total assets	$ 5,987,441	$ -	$ 470,150,776	$ 922,561	$ (950,915)	$ 476,109,863	$ 556,157,004
LIABILITIES							
Accounts payable	$ 106,482	$ -	$ 4,101	$ 417	$ -	$ 111,000	$ 474,409
Due to IASB	-	-	28,839	1,055	(29,894)	-	-
Deferred revenue	465,251	-	-	-	-	465,251	388,387
Interest rate swap	179,553	-	-	-	-	179,553	247,117
Accrued wages	72,000	-	-	-	-	72,000	130,766
Accrued vacation	24,380	-	-	-	-	24,380	26,128
Accrued interest	1,344	-	-	-	-	1,344	1,410
Accrued property taxes	70,670	-	-	-	-	70,670	69,293
	$ 919,680	$ -	$ 32,940	$ 1,472	$ (29,894)	$ 924,198	$ 1,337,510
Agency fund - held in trust for participants in ISJIT	$ -	$ -	$ 470,111,497	$ -	$ (921,021)	$ 469,190,476	$ 549,434,037
Accrued pension benefit liability	$ 844,151	$ -	$ -	$ -	$ -	$ 844,151	$ 1,042,052
Mortgage payable	$ 1,050,280	$ -	$ -	$ -	$ -	$ 1,050,280	$ 1,079,940
Total liabilities	$ 2,814,111	$ -	$ 470,144,437	$ 1,472	$ (950,915)	$ 472,009,105	$ 552,893,539
NET ASSETS AND ACCUMULATED (DEFICIT)							
Unrestricted	$ 7,101,798	$ -	$ 6,339	$ 921,089	$ -	$ 8,029,226	$ 7,438,544
Accumulated (deficit)	(3,928,468)	-	-	-	-	(3,928,468)	(4,185,373)
Temporarily restricted	-	-	-	-	-	-	10,294
Total net assets and accumulated (deficit)	$ 3,173,330	$ -	$ 6,339	$ 921,089	$ -	$ 4,100,758	$ 3,263,465
Total liabilities, net assets, and accumulated (deficit)	$ 5,987,441	$ -	$ 470,150,776	$ 922,561	$ (950,915)	$ 476,109,863	$ 556,157,004

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 2

CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2013
With Comparative Totals for 2012

	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 Foundation	Totals	Eliminations	2013 Consolidating Totals	2012 Comparative Totals
REVENUES										
Memberships	$ 1,205,060	$ -	$ -	$ -	$ 1,205,060	$ -	-	$ -	$ 1,205,060	$ 1,166,335
Publications, forms and materials	176,387	-	-	-	176,387	-	-	-	176,387	186,541
Convention and conferences	602,243	-	-	-	602,243	-	-	(10,294)	591,949	530,481
Consulting services	21,300	-	-	-	21,300	-	-	-	21,300	21,400
Professional services	156,279	-	-	-	156,279	-	-	(59,955)	96,324	174,055
Contributions	-	10,614	-	-	10,614	-	-	(10,614)	-	50
Administrative services	1,003,227	-	-	-	1,003,227	-	-	-	1,003,227	1,052,870
Online payment services	717,009	-	-	-	717,009	-	-	-	717,009	2,482,705
PaySchools earn-out fees	187,250	-	-	-	187,250				187,250	
Sponsorships	320,386	-	-	-	320,386	-	-	(191,501)	128,885	129,156
Risk management and insurance program	421,879	-	-	-	421,879	-	-	-	421,879	421,336
Grants	-	50,000	-	-	50,000	-	-	-	50,000	138,368
Rental income	99,800	-	-	-	99,800	-	-	-	99,800	118,251
Net assets released from restrictions satisfied by payments	-	10,294	-	-	10,294	(10,294)	(10,294)	-	-	-
Total revenues	$ 4,910,820	$ 70,908	$ -	$ -	$ 4,981,728	$ (10,294)	(10,294)	$ (272,364)	$ 4,699,070	$ 6,421,548
EXPENSES										
Salaries	$ 1,349,243	$ -	$ -	$ -	$ 1,349,243	$ -	-	$ -	$ 1,349,243	$ 1,840,403
Payroll taxes	110,437	-	-	-	110,437	-	-	-	110,437	147,095
Retirement benefits	-	-	-	-	-	-	-	-	-	19,167
Benefit costs	23,818	-	-	-	23,818	-	-	-	23,818	28,203
Staff insurance	149,870	-	-	-	149,870	-	-	-	149,870	207,748
Program management	-	4,115	275,283	-	279,398	-	-	(4,115)	275,283	326,868
Staff development	1,829	-	-	-	1,829	-	-	-	1,829	872
Marketing	4,605	-	167,564	-	172,169	-	-	-	172,169	116,969
Travel	115,212	800	-	412	116,424	-	-	-	116,424	119,294
Building operations	228,877	-	-	-	228,877	-	-	-	228,877	202,110
Equipment and computers	203,282	-	-	-	203,282	-	-	-	203,282	83,061
Depreciation and amortization	93,555	-	-	-	93,555	-	-	-	93,555	126,566
Office supplies	24,622	90	-	517	25,229	-	-	-	25,229	32,973
Cartage and postage	13,488	-	-	28	13,516	-	-	-	13,516	18,489
Telephone	21,437	-	-	9	21,446	-	-	-	21,446	30,742
Investment advisory fees	-	-	143,626	-	143,626	-	-	-	143,626	178,928
Professional fees	990,270	-	41,684	61,697	1,093,651	-	-	(55,840)	1,037,811	1,167,458
Skills Iowa expenses	-	-	-	-	-	-	-	-	-	37,628
Rating service	-	-	-	-	-	-	-	-	-	9,000
Sponsorship fees	113,633	10,294	191,501	-	315,428	-	-	(201,795)	113,633	345,753
Printing	35,298	-	-	-	35,298	-	-	-	35,298	39,938
Reference materials	4,569	-	-	-	4,569	-	-	-	4,569	2,292
Dues	90,880	-	-	-	90,880	-	-	-	90,880	90,497
Conventions and conferences	227,594	-	-	-	227,594	-	-	-	227,594	243,404
Interest	100,219	-	-	-	100,219	-	-	-	100,219	100,275
Web hosting, registration and internet	49,786	-	-	-	49,786	-	-	-	49,786	52,910
Contributions	-	44,995	-	-	44,995	-	-	-	44,995	44,832
Miscellaneous	48	-	11,460	2,512	14,020	-	-	-	14,020	23,676
Bad debt expense	13,140	-	-	-	13,140	-	-	(10,614)	2,526	152
Program banking fees	439,871	494	-	-	440,365	-	-	-	440,365	1,086,739
Total expenses	$ 4,405,583	$ 60,788	$ 831,118	$ 65,175	$ 5,362,664	$ -	-	$ (272,364)	$ 5,090,300	$ 6,724,042
OTHER REVENUE (EXPENSE)										
Interest income	$ 3,952	$ 4	$ -	$ 39	$ 3,995	$ -	-	$ -	$ 3,995	$ 8,288
Other income	3,262	-	71,813	-	75,075	-	-	-	75,075	277,677
Investment income	-	-	802,049	-	802,049	-	-	-	802,049	909,488
Dividends issued to participants in ISJIT	-	-	(24,066)	-	(24,066)	-	-	-	(24,066)	(101,687)
Change in value of interest rate swap	67,564	-	-	-	67,564	-	-	-	67,564	(10,581)
Change in accrued pension liability	88,069	-	-	-	88,069	-	-	-	88,069	(494,164)
Gain on the sale of PaySchools	212,430	-	-	-	212,430	-	-	-	212,430	-
Gain (loss) on cost of issuance	-	-	-	3,407	3,407	-	-	-	3,407	(10)
Total other revenue	$ 375,277	$ 4	$ 849,796	$ 3,446	$ 1,228,523	$ -	-	$ -	$ 1,228,523	$ 589,011
Change in net assets	$ 880,514	$ 10,124	$ 18,678	$ (61,729)	$ 847,587	$ (10,294)	(10,294)	$ -	$ 837,293	$ 286,517
Net assets (deficit) at beginning of year	2,292,816	(10,124)	(12,339)	982,818	3,253,171	10,294	10,294	-	3,263,465	2,976,948
Net assets at end of year	$ 3,173,330	$ -	$ 6,339	$ 921,089	$ 4,100,758	$ -	-	$ -	$ 4,100,758	$ 3,263,465

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 3

CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended June 30, 2013
With Comparative Totals for 2012

	Iowa Association of School Boards & Subsidiary	Iowa Association of School Boards Foundation	Iowa Schools Joint Investment Trust	Iowa Schools Cash Anticipation Program	Eliminations	2013 Consolidating Totals	2012 Comparative Totals
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in net assets	$ 880,514	$ (170)	$ 18,678	$ (61,729)	$ -	$ 837,293	$ 286,517
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:							
Depreciation and amortization	93,555	-	-	-	-	93,555	126,566
Swap liability	(67,564)	-	-	-	-	(67,564)	10,581
Gain on the sale of PaySchools	(212,430)	-	-	-	-	(212,430)	-
Change in assets and liabilities:							
(Increase) decrease in assets:							
Accounts receivable	67,044	-	3,964	-	(29,056)	41,952	207,568
Accrued interest receivable	(8,586)	-	-	-	-	(8,586)	(8,798)
Prepaid expenses	(3,146)	-	-	(1,540)	-	(4,686)	(131,241)
Increase (decrease) in liabilities:							
Agency funds	-	-	(67,352)	-	67,352	-	-
Due to IASB	-	(15,329)	(3,876)	(4,500)	23,705	-	-
Due to LGS	-	(5,351)	-	-	5,351	-	-
Accounts payable	(367,349)	(578)	4,101	417	-	(363,409)	241,969
Accrued property taxes	1,377	-	-	-	-	1,377	(34,039)
Accrued interest	8,520	-	-	-	-	8,520	8,879
Accrued wages	(58,766)	-	-	-	-	(58,766)	(55,081)
Accrued vacation	(1,748)	-	-	-	-	(1,748)	(38,049)
Accrued pension liability	(197,901)	-	-	-	-	(197,901)	348,642
Deferred revenue	76,864	-	-	-	-	76,864	1,571
Net cash provided by (used in) operating activities	$ 210,384	$ (21,428)	$ (44,485)	$ (67,352)	$ 67,352	$ 144,471	$ 965,085
CASH FLOWS FROM INVESTING ACTIVITIES							
Net proceeds from the sale of PaySchools	$ 217,242	$ -	$ -	$ -	$ -	$ 217,242	$ -
Net cash provided by investing activities	$ 217,242	$ -	$ -	$ -	$ -	$ 217,242	$ -
CASH FLOWS FROM FINANCING ACTIVITIES							
Issuance of units to ISCAP	$ -	$ -	$ 67,352	$ -	$ -	$ 67,352	$ (163,299)
Principal payments on notes payable	(29,660)	-	-	-	-	(29,660)	(28,050)
Net cash (used in) provided by financing activities	$ (29,660)	$ -	$ 67,352	$ -	$ -	$ 37,692	$ (191,349)
Net increase (decrease) in cash and cash equivalents	$ 397,966	$ (21,428)	$ 22,867	$ (67,352)	$ 67,352	$ 399,405	$ 773,736
Cash and cash equivalents at beginning of year	2,172,791	21,428	12,241	988,373	(988,373)	2,206,460	1,432,724
Cash and cash equivalents at end of year	$ 2,570,757	$ -	$ 35,108	$ 921,021	$ (921,021)	$ 2,605,865	$ 2,206,460
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION							
Cash payments for interest	$ 100,425	$ -	$ -	$ -	$ -	$ 100,425	$ 100,184

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, 2013
With Comparative Totals for 2012

ASSETS	Iowa Association of School Boards	Local Government Services, Inc.	Eliminations	2013 Consolidating Totals	2012 Comparative Totals
Cash and cash equivalents	$ 1,279,390	$ 1,291,367	$ -	$ 2,570,757	$ 2,172,791
Accounts receivable, net of allowance 2013: $82,611; 2012: $82,611	67,946	223,703	-	291,649	329,637
Accounts receivable - related entities	29,894	-	-	29,894	58,950
Loan to LGS	5,875,505	-	(5,875,505)	-	-
Accrued interest receivable	83,120	-	(83,120)	-	-
Note receivable	769,172	-	(769,172)	-	-
Office property and equipment, net	-	2,955,754	-	2,955,754	3,054,121
Prepaid expenses	132,631	6,756	-	139,387	136,241
Total assets	$ 8,237,658	$ 4,477,580	$ (6,727,797)	$ 5,987,441	$ 5,751,740
LIABILITIES					
Accounts payable	$ 18,395	$ 88,087	$ -	$ 106,482	$ 473,831
Loan from IASB	-	5,875,505	(5,875,505)	-	-
Deferred revenue	465,251	-	-	465,251	388,387
Interest rate swap	-	179,553	-	179,553	247,117
Accrued wages	72,000	-	-	72,000	130,766
Accrued vacation	17,073	7,307	-	24,380	26,128
Accrued interest	-	84,464	(83,120)	1,344	1,410
Accrued property taxes	-	70,670	-	70,670	69,293
	$ 572,719	$ 6,305,586	$ (5,958,625)	$ 919,680	$ 1,336,932
Accrued pension benefit liability	$ 844,151	$ -	$ -	$ 844,151	$ 1,042,052
Mortgage payable:					
Mortgage payable - U.S. Bank	$ -	$ 1,050,280	$ -	$ 1,050,280	$ 1,079,940
Mortgage payable - IASB	-	769,172	(769,172)	-	-
	$ -	$ 1,819,452	$ (769,172)	$ 1,050,280	$ 1,079,940
Total liabilities	$ 1,416,870	$ 8,125,038	$ (6,727,797)	$ 2,814,111	$ 3,458,924
NET ASSETS AND ACCUMULATED (DEFICIT)					
Unrestricted	$ 6,820,788	$ -	$ 281,010	$ 7,101,798	$ 6,478,189
Common stock	-	281,010	(281,010)	-	-
Accumulated (deficit)	-	(3,928,468)	-	(3,928,468)	(4,185,373)
Total net assets and accumulated (deficit)	$ 6,820,788	$ (3,647,458)	$ -	$ 3,173,330	$ 2,292,816
Total liabilities and net assets and accumulated (deficit)	$ 8,237,658	$ 4,477,580	$ (6,727,797)	$ 5,987,441	$ 5,751,740

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 5

CONSOLIDATING STATEMENT OF ACTIVITIES FOR
IOWA ASSOCIATION OF SCHOOL BOARDS & SUBSIDIARY
Year Ended June 30, 2013
With Comparative Totals for 2012

	Unrestricted				
	Iowa Association of School Boards	Local Government Services, Inc.	Eliminations	2013 Consolidated Totals	2012 Comparative Totals
REVENUES					
Memberships	$ 1,205,060	$ -	$ -	$ 1,205,060	$ 1,166,335
Publications, forms and materials	176,387	-	-	176,387	186,541
Convention and conferences	602,243	-	-	602,243	530,481
Consulting services	21,300	-	-	21,300	21,400
Professional services	156,279	-	-	156,279	179,223
Administrative services	-	1,211,227	(208,000)	1,003,227	1,093,647
Online payment services	-	717,009	-	717,009	2,482,705
PaySchools earn-out fees	-	187,250	-	187,250	-
Sponsorships	403,358	-	(82,972)	320,386	268,312
Risk management and insurance program	421,879	-	-	421,879	421,336
Grants	-	-	-	-	88,368
Rental income	-	349,800	(250,000)	99,800	118,251
Total revenues	$ 2,986,506	$ 2,465,286	$ (540,972)	$ 4,910,820	$ 6,556,599
EXPENSES					
Salaries	$ 902,053	$ 447,190	$ -	$ 1,349,243	$ 1,840,403
Payroll taxes	73,634	36,803	-	110,437	147,095
Retirement benefits	-	-	-	-	19,167
Benefit costs	21,429	2,389	-	23,818	28,203
Staff insurance	106,527	43,343	-	149,870	207,748
Staff development	168	1,661	-	1,829	872
Marketing	-	4,605	-	4,605	7,402
Travel	114,599	613	-	115,212	119,061
Building operations	263,619	215,258	(250,000)	228,877	202,110
Equipment and computers	-	203,282	-	203,282	83,061
Depreciation and amortization	-	93,555	-	93,555	126,566
Office supplies	18,797	5,825	-	24,622	31,901
Cartage and postage	12,591	897	-	13,488	18,130
Telephone	1,077	20,360	-	21,437	30,498
Professional fees	584,430	613,840	(208,000)	990,270	1,095,451
Skills Iowa expenses	-	-	-	-	37,628
Sponsorship fees	15,038	181,567	(82,972)	113,633	345,753
Printing	30,765	4,533	-	35,298	39,878
Reference materials	4,569	-	-	4,569	2,292
Dues	90,080	800	-	90,880	90,497
Conventions and conferences	225,765	1,829	-	227,594	243,404
Interest	3,291	131,479	(34,551)	100,219	100,275
Web hosting, registration and internet	-	49,786	-	49,786	52,910
Miscellaneous	27	21	-	48	4,832
Bad debt expense	11,767	1,373	-	13,140	152
Program banking fees	10,746	429,125	-	439,871	1,086,739
Total expenses	$ 2,490,972	$ 2,490,134	$ (575,523)	$ 4,405,583	$ 5,962,028
OTHER REVENUE (EXPENSE)					
Interest income	$ 36,834	$ 1,669	$ (34,551)	$ 3,952	$ 8,050
Other income	3,172	90	-	3,262	6,216
Change in value of interest rate swap	-	67,564	-	67,564	(10,581)
Change in accrued pension liability	88,069	-	-	88,069	(494,164)
Gain on the sale of PaySchools	-	212,430	-	212,430	-
Total other revenue	$ 128,075	$ 281,753	$ (34,551)	$ 375,277	$ (490,479)
Change in net assets and net income	$ 623,609	$ 256,905	$ -	$ 880,514	$ 104,092
Net assets (loss) at beginning of year	6,197,179	(4,185,373)	281,010	2,292,816	2,188,724
Net assets (loss) at end of year	$ 6,820,788	$ (3,928,468)	$ 281,010	$ 3,173,330	$ 2,292,816

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, 2013
With Comparative Totals for 2012

	Iowa Association of School Boards	Local Government Services, Inc.	Eliminations	2013 Consolidating Totals	2012 Comparative Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets and net income	$ 623,609	$ 256,905	$ -	$ 880,514	$ 104,092
Adjustments to reconcile the change in net assets and net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	-	93,555	-	93,555	126,566
Swap liability	-	(67,564)	-	(67,564)	10,581
(Gain) on the sale of PaySchools	-	(212,430)	-	(212,430)	-
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	53,000	14,044	-	67,044	220,201
Accrued interest receivable	(4,293)	-	(4,293)	(8,586)	(8,798)
Other assets	(3,890)	744	-	(3,146)	(131,241)
Increase (decrease) in liabilities:					
Accounts payable	(191,265)	(176,084)	-	(367,349)	241,391
Accrued property taxes	-	1,377	-	1,377	(34,039)
Accrued interest	-	4,227	4,293	8,520	8,879
Accrued wages	(36,618)	(22,148)	-	(58,766)	(55,081)
Accrued vacation	2,696	(4,444)	-	(1,748)	(38,049)
Accrued pension liability	(197,901)	-	-	(197,901)	348,642
Deferred revenue	77,699	(835)	-	76,864	51,571
Net cash provided by (used in) operating activities	$ 323,037	$ (112,653)	$ -	$ 210,384	$ 844,715
CASH FLOWS FROM INVESTING ACTIVITIES					
Loans to LGS	$ (369,981)	$ -	$ 369,981	$ -	$ -
Net proceeds from the sale of PaySchools	-	217,242	-	217,242	-
Net cash (used in) provided by investing activities	$ (369,981)	$ 217,242	$ 369,981	$ 217,242	$ -
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings from IASB	$ -	$ 369,981	$ (369,981)	$ -	$ -
Principal payments on notes payable	-	(29,660)	-	(29,660)	(28,050)
Net cash provided by (used in) financing activities	$ -	$ 340,321	$ (369,981)	$ (29,660)	$ (28,050)
Net (decrease) increase in cash and cash equivalents	$ (46,944)	$ 444,910	$ -	$ 397,966	$ 816,665
Cash and cash equivalents at beginning of year	1,326,334	846,457	-	2,172,791	1,356,126
Cash and cash equivalents at end of year	$ 1,279,390	$ 1,291,367	$ -	$ 2,570,757	$ 2,172,791
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION					
Cash payments for interest	$ 3,291	$ 127,252	$ (30,118)	$ 100,425	$ 100,184

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 7

CONSOLIDATING STATEMENT OF EXPENSES BY PROGRAM
Year Ended June 30, 2013

	Program Services										
	Advocacy	Governance and Leadership Services	Convention and Conferences	ISJIT Investment Services	ISCAP Administrative Services	PaySchools	Other Programs	Total Program Services	Management and General	Eliminations	2013 Consolidating Totals
Salaries	$ 29,722	$ 328,856	$ 82,630	$ -	$ -	$ 52,249	$ 26,701	$ 520,158	$ 829,085	$ -	$ 1,349,243
Payroll taxes	2,274	25,157	6,321	-	-	4,643	2,043	40,438	69,999	-	110,437
Benefit costs	-	-	-	-	-	226	-	226	23,592	-	23,818
Staff insurance	-	-	-	-	-	1,539	-	1,539	148,331	-	149,870
Program management	-	-	-	275,283	-	-	4,115	279,398	-	(4,115)	275,283
Staff development	-	-	-	-	-	-	-	-	1,829	-	1,829
Marketing	-	-	-	167,564	-	4,605	-	172,169	-	-	172,169
Travel	3,376	13,832	24,531	-	412	241	34,868	77,260	39,164	-	116,424
Building operations	-	-	-	-	-	-	-	-	478,877	(250,000)	228,877
Equipment and computers	-	-	-	-	-	138	-	138	203,144	-	203,282
Depreciation and amortization	-	-	-	-	-	1,132	-	1,132	92,423	-	93,555
Office supplies	51	753	5,341	-	517	137	449	7,248	17,981	-	25,229
Cartage and postage	163	4,710	5,488	-	28	20	15	10,424	3,092	-	13,516
Telephone	456	146	27	-	9	121	55	814	20,632	-	21,446
Investment advisory fees	-	-	-	143,626	-	-	-	143,626	-	-	143,626
Professional fees	60,000	113,874	88,809	41,684	61,697	3,285	557,620	926,969	374,682	(263,840)	1,037,811
Sponsorship fees	-	10,000	-	191,501	-	66,436	-	267,937	120,169	(274,473)	113,633
Printing	1,346	15,458	12,535	-	-	260	-	29,599	5,699	-	35,298
Reference materials	800	423	-	-	-	-	-	1,223	3,346	-	4,569
Dues	-	211	-	-	-	-	11,045	11,256	79,624	-	90,880
Conventions and conferences	353	10,839	222,570	-	-	-	3,751	237,513	375	(10,294)	227,594
Interest	-	-	-	-	-	-	-	-	134,770	(34,551)	100,219
Web hosting, registration and internet	-	-	-	-	-	473	-	473	49,313	-	49,786
Contributions	-	-	-	-	-	-	44,995	44,995	-	-	44,995
Miscellaneous	-	-	-	11,460	2,512	4	-	13,976	44	-	14,020
Bad debt expense	-	-	-	-	-	1,001	-	1,001	12,139	(10,614)	2,526
Program banking fees	-	-	-	-	-	427,482	1,915	429,397	10,968	-	440,365
Total expenses	$ 98,541	$ 524,259	$ 448,252	$ 831,118	$ 65,175	$ 563,992	$ 687,572	$ 3,218,909	$ 2,719,278	$ (847,887)	$ 5,090,300

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
James R. Pistillo, CPA, Shareholder

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

In planning and performing our audit of the consolidated financial statements of Iowa Association of School Boards (the Association) and its controlled entities as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, 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
October 17, 2013

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Brent L. Alexander, CPA, Shareholder
James R. Pistillo, 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, 2013, and have issued our report thereon dated October 17, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted accounting standards, 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 May 14, 2013. 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 the Iowa Association of School Boards are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2013. 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.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has posted all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The most significant adjustment was to adjust the Non-Qualified Pension Liability to actual as of June 30, 2013.

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Disagreements with Management

For purposes of this letter, a disagreement with management is 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. We are pleased to report that 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 October 17, 2013.

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.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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
October 17, 2013