IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

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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, 2014, 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, 2014, 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.

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Report on Summarized Comparative Information

We have previously audited the Association's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Brooks Lodden, P.C.

West Des Moines, Iowa
October 22, 2014

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2014
With Comparative Totals for 2013

ASSETS	2014 Consolidated Totals	2013 Comparative Totals
Cash and cash equivalents	$ 3,564,109	$ 2,605,865
Assets held on behalf of others in an agency capacity:		
Cash - Iowa Schools Joint Investment Trust	1,900,031	1,272,289
Accrued interest receivable	1,430,500	587,067
Certificates of deposit	980,000	1,225,000
Repurchase agreements	4,000	69,383,000
Commercial paper	39,984,167	53,457,046
U.S. government agency obligations	372,383,431	344,187,095
Accounts receivable, net of allowance 2014 and 2013: $82,611	124,617	295,820
Office property and equipment, net	3,130,800	2,955,754
Prepaid expenses	35,856	140,927
Total assets	$ 423,537,511	$ 476,109,863
LIABILITIES		
Accounts payable	$ 117,529	$ 111,000
Deferred revenue	351,251	465,251
Interest rate swap	120,325	179,553
Accrued wages	36,000	72,000
Accrued vacation	11,520	24,380
Accrued interest	1,278	1,344
Accrued property taxes	67,136	70,670
	$ 705,039	$ 924,198
Agency fund - held in trust for participants in ISJIT	$ 415,746,888	$ 469,190,476
Accrued pension benefit liability	$ 950,978	$ 844,151
Mortgage payable	$ 1,018,310	$ 1,050,280
Total liabilities	$ 418,421,215	$ 472,009,105
NET ASSETS		
Unrestricted	$ 5,116,296	$ 4,100,758
Total net assets	$ 5,116,296	$ 4,100,758
Total liabilities and net assets	$ 423,537,511	$ 476,109,863

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2014
With Comparative Totals for 2013

	2014 Consolidated Totals	2013 Comparative Totals
REVENUES		
Memberships	$ 1,250,387	$ 1,205,060
Publications, forms and materials	178,285	176,387
Convention and conferences	676,236	591,949
Consulting services	25,950	21,300
Professional services	87,308	96,324
Administrative services	1,151,225	1,003,227
Online payment services	-	717,009
PaySchools earn-out fees	862,750	187,250
Sponsorships	204,484	128,885
Risk management and insurance program	401,562	421,879
Grants	29,988	50,000
Rental income	99,638	99,800
Total revenues	$ 4,967,813	$ 4,699,070
EXPENSES		
Salaries	$ 1,230,464	$ 1,349,243
Payroll taxes	98,052	110,437
Retirement benefits	27,651	-
Benefit costs	24,506	23,818
Staff insurance	142,012	149,870
Program management	178,688	275,283
Staff development	7,671	1,829
Marketing	94,700	172,169
Travel	125,988	116,424
Building operations	229,364	228,877
Equipment and computers	253,200	203,282
Depreciation and amortization	91,599	93,555
Office supplies	30,216	25,229
Cartage and postage	13,962	13,516
Telephone	12,770	21,446
Investment advisory fees	81,171	143,626
Professional fees	1,158,066	1,037,811
Sponsorship fees	53,992	113,633
Printing	42,608	35,298
Reference materials	2,790	4,569
Dues	89,824	90,880
Conventions and conferences	236,067	227,594
Interest	96,787	100,219
Web hosting, registration and internet	53,073	49,786
Contributions	24,988	44,995
Miscellaneous	12,491	14,020
Bad debt expense	400	2,526
Program banking fees	11,573	440,365
Total expenses	$ 4,424,673	$ 5,090,300

(Continued)

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

With Comparative Totals for 2013

	2014 Consolidated Totals	2013 Comparative Totals
OTHER REVENUE (EXPENSE)		
Interest income	$ 3,454	$ 3,995
Other income	97,666	75,075
Investment income	485,013	802,049
Dividends issued to participants in ISJIT	(22,220)	(24,066)
Change in value of interest rate swap	59,228	67,564
Change in accrued pension liability	(150,743)	88,069
Gain on the sale of PaySchools	-	212,430
Gain on the cost of issuance	-	3,407
Total other revenue	$ 472,398	$ 1,228,523
Change in net assets	$ 1,015,538	$ 837,293
Net assets at beginning of year	4,100,758	3,263,465
Net assets at end of year	$ 5,116,296	$ 4,100,758

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2014
With Comparative Totals for 2013

	2014 Consolidated Totals	2013 Comparative Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,015,538	$ 837,293
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation and amortization	91,599	93,555
Swap liability	(59,228)	(67,564)
(Gain) on the sale of PaySchools	-	(212,430)
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	171,203	41,952
Accrued interest receivable	-	(8,586)
Other assets	105,071	(4,686)
(Decrease) increase in liabilities:		
Accounts payable	6,529	(363,409)
Accrued property taxes	(3,534)	1,377
Accrued interest	(66)	8,520
Accrued wages	(36,000)	(58,766)
Accrued vacation	(12,860)	(1,748)
Accrued pension liability	106,827	(197,901)
Deferred revenue	(114,000)	76,864
Net cash provided by operating activities	$ 1,271,079	$ 144,471
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	$ (266,645)	$ -
Net proceeds from the sale of PaySchools	-	217,242
Net cash (used in) provided by investing activities	$ (266,645)	$ 217,242
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of units to ISCAP	$ (14,220)	$ 67,352
Principal payments on notes payable	(31,970)	(29,660)
Net cash (used in) provided byfinancing activities	$ (46,190)	$ 37,692
Net increase in cash and cash equivalents	$ 958,244	$ 399,405
Cash and cash equivalents at beginning of year	2,605,865	2,206,460
Cash and cash equivalents at end of year	$ 3,564,109	$ 2,605,865
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 128,285	$ 100,425

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 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, 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. The Board of Directors of the Foundation will remain intact but be placed on “inactive status.” The Foundation continues to administer a technology grant, with the assistance of IASB, as its only activity.

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.

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

Classification of net assets:

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

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

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

Use of accounting estimates and assumptions:

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

Cash and cash equivalents:

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

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

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

Assets held on behalf of others (Agency Funds):

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

Accounts receivable:

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

Promises to give:

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

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

Repurchase agreements:

ISJIT's investment policy allows the organization to enter into collateralized perfected repurchase agreements secured by the U.S. government or U.S. government agency obligations. A repurchase agreement involves the sale of such securities to ISJIT with the concurrent agreement of the seller to repurchase them at a specified time and price to yield an agreed-upon rate of interest. The securities collateralizing the agreement are held by the custodian and regularly verified and maintained daily in an amount equal to at least 102% of the agreements. At June 30, 2014, 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 $4,080, held in an agency capacity.

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

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

Fair value of financial instruments:

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

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.

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.

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

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

Program services of the organization are as follows:

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

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

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

Investment services, which includes ISJIT and other investment programs.

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

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

Income taxes:

The reporting entity is comprised of nonprofit, for-profit, and governmental corporations as noted above and is exempt from federal and state taxes on related income. The reporting entity is, however, subject to federal and state income taxes on any net unrelated business income under the provisions of Section 511 of the Code. LGS, the wholly-owned for-profit subsidiary of the Association, 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, 2011 through 2014.

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, 2014 the cost and accumulated depreciation of property and equipment were as follows:

Land	**$ 505,638**
Buildings and improvements	**3,135,991**
Office equipment	**126,576**
Computer equipment	**137,823**
Computer software	**172,313**
	$ 4,078,341
Less accumulated depreciation and amortization	**947,541**
	$ 3,130,800

Note 5. Agency Funds

Agency fund activity for the year ended June 30, 2014 was as follows:

	ISJIT
Balance at beginning of year	**$ 469,190,476**
Revenue:	
Units sold	**1,519,058,344**
Units redeemed	**(1,571,588,911)**
Dividends issued	**22,220**
Eliminations	**(935,241)**
Balance at end of year	**$ 415,746,888**

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, 2014:

Deferred tax assets	**$ 1,296,852**
Valuation allowance	**(1,296,852)**
	$ -

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

As of June 30, 2014, LGS had a net operating loss carryforward of $3,073,110 that can be deducted against future taxable income. This tax carryforward amount will expire as follows:

June 30,	
2026	**$ 532,551**
2027	**939,673**
2028	**1,119,306**
2029	**481,580**
	$ 3,073,110

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, 2014:

Fair value of plan assets at beginning of period	$	**2,583,271**
Actual return of plan assets		**228,137**
Employer contributions		**44,101**
Benefits paid		**(153,336)**
Fair value of plan assets at end of period	**$**	**2,702,173**
Benefit obligation at beginning of period	**$**	**3,427,422**
Interest cost		**150,859**
Actuarial loss		**228,206**
Benefits paid		**(153,336)**
Projected/accumulated benefit obligation at end of period	**$**	**3,653,151**
Plan assets in deficit of projected/accumulated benefit obligation	**$**	**(950,978)**

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, 2013		**$ 844,151**
Change in accrued pension liability shown in the statement of activities:		
Components of net periodic benefit cost:		
Interest cost	**$ 150,859**	
Expected return of plan assets	**(130,898)**	
Amortization of net loss	**28,203**	
Net periodic benefit cost	**$ 48,164**	
Other changes:		
Net loss	**$ 130,967**	
Amortization of net (loss)	**(28,203)**	
Total other changes	**$ 102,764**	
Total change	**$ 150,928**	**150,928**
Employer contributions		**(44,101)**
Plan assets in deficit of projected/accumulated benefit obligation at June 30, 2014		**$ 950,978**

Plan assets allocations were comprised of the following investment classifications at June 30, 2014:

Equity securities	**31.4** %
Fixed income securities	**46.6**
Debt securities	**22.0**
	100.0 %

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

Note 7. Retirement Plans (*Continued)*

Pension Plan: *(Continued)*

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

The following are actuarial assumptions used by the Plan to develop the projected benefit obligations for the period ended June 30, 2014:

Discount rate	**4.00%**
Expected long-term rate of return on plan assets	**6.00%**

The benefits expected to be paid in each year from 2015 to 2019 are $150,000, $320,000, $560,000, $160,000, and $220,000, respectively. The aggregate benefits expected to be paid in the five years from 2020 to 2024 are $1,490,000. The expected benefits to be paid are based on the same assumptions used to measure the Association's benefit obligation at June 30, 2014 and include estimated employee service. The Association expects to make contributions of $89,519 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 $3,653,151 projected benefit obligation	**$**	**146,126**
Adjustment for expected benefit distributions of $150,000		**(3,000)**
Interest cost	**$**	**143,126**
Expected return on plan assets:		
On $2,702,173 market value of assets at measurement date	**$**	**(162,130)**
Adjustment for expected employer contributions of $101,180		**(2,662)**
Adjustment for expected benefit distributions of $150,000		**4,500**
Adjustment for estimated administrative expenses		**22,500**
Expected return on plan assets	**$**	**(137,792)**

Note 7. Retirement Plans (*Continued)*

Pension Plan: *(Continued)*

Amortization of net loss:		
Prior year total net loss	$	**587,259**
Amount recognized in net periodic benefit cost		**(28,203)**
Actuarial loss		**228,206**
Actual return on assets – (gain)		**(228,137)**
Expected return on assets - gain		**130,898**
Total current year net loss	$	**690,023**
10% of greater of asset value or benefit obligation (after changes, if applicable)		**365,315**
Loss to recognize	$	**324,708**
Average future service		**7.86**
Amortization of net loss	$	**41,311**

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, 2014, and the Plan assets are valued at their fair value at June 30, 2014.

401(k) Plan:

The Association also has a 401(k) plan which covers substantially all employees. Beginning September 1, 2011, the Association suspended the employer-discretionary contributions. There were no contributions to the plan for the year ended June 30, 2013. Effective July 1, 2013, the Association reinstated the employer-discretionary contributions. The contribution percentage is determined annually by the Board of Directors and was 3% for the year ended June 30, 2014. Contributions to the plan for the year ended June 30, 2014 were $27,651.

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.

Note 8. Mortgage Payable *(Continued)*

At June 30, 2014, the balance of the single advance term note was $1,018,310 with an interest rate of 2.15%. The single advance term note is collateralized by the building and rent. Net book value of the land and building as of June 30, 2014 was $3,033,281.

The bank has provided LGS a permanent waiver regarding the rental agreement with ISEBA.

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

Years	Amount
2015	$ 34,460
2016	983,850
	$ 1,018,310

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, 2014 was $93,248.

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.

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

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, 2014.

At June 30, 2014, the information pertaining to the outstanding interest rate swap agreement used to hedge variable-rate debt is as follows:

Swap #21257A	
Notional amount	**$ 1,259,910**
Weighted average pay rate	**0.15%**
Weighted average receive rate	**5.62%**
Weighted average maturity in years	**1.8**
Unrealized (loss) relating to interest rate swap	**$ (120,325)**

The above agreement provides for the Association to make payments at a variable rate of 0.15% in exchange for receiving payments at a fixed rate of 5.62%. At June 30, 2014, 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, 2014 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	372,383,431	-	372,383,431	-
Repurchase agreements	4,000	-	4,000	-
Commercial paper	39,984,167	-	39,984,167	-
Pension plan assets	2,702,173	-	2,574,644	127,529
Liabilities:				
Interest rate swap	120,325	-	-	120,325
Net fair value	$ 416,174,096	$ -	$ 415,926,242	$ 247,854

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

Level 1 Fair Value Measurements

The fair value measurements are based on quoted market values. The Association holds no such investments at June 30, 2014.

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.

Note 10. Fair Value Measurements *(Continued)*

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):

	Interest Rate Swap Liability	Pension Plan Assets (U.S. Property Separate Account)
June 30, 2014		
Beginning balance	**$ 179,553**	**$ 114,807**
Change in value	**(59,228)**	**12,722**
Ending balance	**$ 120,325**	**$ 127,529**

Changes in net assets for the year ended June 30, 2014 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, 2014 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, 2014:

Unrestricted net assets:		
Undesignated	$	**4,065,469**
Board designated:		
Loss Reserve-ISCAP		**781,788**
Board designated reserves		**120,000**
Insurance Division Stabilization Reserve		**72,899**
Iowa Council of School Board Attorneys		**54,086**
Legal Service Fund		**22,054**
Total	**$**	**5,116,296**

Note 12. Related Entity Transactions

ISEBA:

For the year ended June 30, 2014, LGS has an accounting services agreement with ISEBA for $60,000 annually, paid in monthly installments of $5,000 per month. For the year ended June 30, 2014, LGS received $242,676 from ISEBA, which was allocated as $60,000 in accounting service fees to LGS and the remaining amounts were paid to IASB and ISEA for sponsorship fees in the amounts of $137,141 and $45,535, respectively. 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, 2014 was $72,899. 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, 2014 was $22,054. 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, 2014 was $54,086. 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, 2014 was $781,788. For the year ended June 30, 2014, $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 $4,741 at June 30, 2014. 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, 2014. 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 has been released and the funds were deposited into the Association's bank account.

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, 2014 was $36,000.

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, 2014.

Note 15. Lease Commitments

Operating leases:

As of June 30, 2014, 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,		
2015	$	17,801
2016		1,800
	$	19,601

Total rent expense was $27,636 the year ended June 30, 2014.

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. The amount receivable at June 30, 2013 was $147,250. During the year ended June 30, 2014, LGS negotiated an early buy out of the earn-out. For the year ended June 30, 2014, LGS received $862,750. The overall cash received for the sale of the PaySchools program was $1,550,000.

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 statement of operations and accumulated (deficit) for the year ended June 30, 2013:

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 2013 in the accompanying financial statements are included to provide a basis for comparison with 2014 and are not intended to present all information necessary for a fair presentation in conformity with U.S. generally accepted accounting principles.

Note 18. Subsequent Events

Effective July 1, 2014, all LGS employees and endorsed programs have transferred to IASB. LGS will retain possession of the building and corresponding rental income and expenses.

Management has evaluated subsequent events through October 22, 2014, the date the audit report was available to be issued.

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CFF, CVA, ABV, Shareholder
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John E. Lamale, CPA, Shareholder
Brent L. Alexander, CPA, Shareholder

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATING INFORMATION

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

We have audited the consolidated financial statements of the Iowa Association of School Boards (the Association) and its controlled entities for the year ended June 30, 2014, and our report thereon dated October 22, 2014, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included on pages 27 to 33 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information on pages 27 to 33 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Brooks Lodden, P.C.

West Des Moines, Iowa
October 22, 2014

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IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 1

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2014
With Comparative Totals for 2013

ASSETS	**Iowa Association of School Boards & Subsidiary**	**Iowa Association of School Boards Foundation**	**Iowa Schools Joint Investment Trust**	**Iowa Schools Cash Anticipation Program**	**Eliminations**	**2014 Consolidating Totals**	**2013 Comparative Totals**
Cash and cash equivalents	$ 3,544,911	$ -	$ 19,198	$ 935,241	$ (935,241)	$ 3,564,109	$ 2,605,865
Assets held on behalf of others in an agency capacity:							
Cash - Iowa Schools Joint Investment Trust	-	-	1,900,031	-	-	1,900,031	1,272,289
Accrued interest receivable	-	-	1,430,500	-	-	1,430,500	587,067
Certificates of deposit	-	-	980,000	-	-	980,000	1,225,000
Repurchase agreements	-	-	4,000	-	-	4,000	69,383,000
Commercial paper	-	-	39,984,167	-	-	39,984,167	53,457,046
U.S. government agency obligations	-	-	372,383,431	-	-	372,383,431	344,187,095
Accounts receivable, net of allowance 2014 and 2013: $82,611	110,755	-	13,862	-	-	124,617	295,820
Accounts receivable - related entities	13,830	-	-	-	(13,830)	-	-
Office property and equipment, net	3,130,800	-	-	-	-	3,130,800	2,955,754
Prepaid expenses	35,856	-	-	-	-	35,856	140,927
Total assets	$ 6,836,152	$ -	$ 416,715,189	$ 935,241	$ (949,071)	$ 423,537,511	$ 476,109,863
LIABILITIES							
Accounts payable	$ 115,228	$ -	$ 2,179	$ 122	$ -	$ 117,529	$ 111,000
Due to IASB	-	-	13,830	-	(13,830)	-	-
Deferred revenue	351,251	-	-	-	-	351,251	465,251
Interest rate swap	120,325	-	-	-	-	120,325	179,553
Accrued wages	36,000	-	-	-	-	36,000	72,000
Accrued vacation	11,520	-	-	-	-	11,520	24,380
Accrued interest	1,278	-	-	-	-	1,278	1,344
Accrued property taxes	67,136	-	-	-	-	67,136	70,670
	$ 702,738	$ -	$ 16,009	$ 122	$ (13,830)	$ 705,039	$ 924,198
Agency fund - held in trust for participants in ISJIT	$ -	$ -	$ 416,682,129	$ -	$ (935,241)	$ 415,746,888	$ 469,190,476
Accrued pension benefit liability	$ 950,978	$ -	$ -	$ -	$ -	$ 950,978	$ 844,151
Mortgage payable - U.S. Bank	$ 1,018,310	$ -	$ -	$ -	$ -	$ 1,018,310	$ 1,050,280
Total liabilities	$ 2,672,026	$ -	$ 416,698,138	$ 122	$ (949,071)	$ 418,421,215	$ 472,009,105
NET ASSETS AND ACCUMULATED (DEFICIT)							
Unrestricted	$ 7,527,477	$ -	$ 17,051	$ 935,119	$ -	$ 8,479,647	$ 8,029,226
Accumulated (deficit)	(3,363,351)	-	-	-	-	(3,363,351)	(3,928,468)
Total net assets and accumulated (deficit)	$ 4,164,126	$ -	$ 17,051	$ 935,119	$ -	$ 5,116,296	$ 4,100,758
Total liabilities, net assets, and accumulated (deficit)	$ 6,836,152	$ -	$ 416,715,189	$ 935,241	$ (949,071)	$ 423,537,511	$ 476,109,863

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 2

CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2014
With Comparative totals for 2013

	Iowa Association of School Boards & Subsidiary	Iowa Association of School Boards Foundation	Unrestricted Iowa Schools Joint Investment Trust	Iowa Schools Cash Anticipation Program	Totals	Eliminations	2014 Consolidating Totals	2013 Comparative Totals
REVENUES								
Memberships	$ 1,250,387	$ -	$ -	$ -	$ 1,250,387	$ -	$ 1,250,387	$ 1,205,060
Publications, forms and materials	178,285	-	-	-	178,285	-	178,285	176,387
Convention and conferences	676,236	-	-	-	676,236	-	676,236	591,949
Consulting services	25,950	-	-	-	25,950	-	25,950	21,300
Professional services	91,264	-	-	-	91,264	(3,956)	87,308	96,324
Administrative services	1,151,225	-	-	-	1,151,225	-	1,151,225	1,003,227
Online payment services	-	-	-	-	-	-	-	717,009
PaySchools earn-out fees	862,750	-	-	-	862,750	-	862,750	187,250
Sponsorships	312,712	-	-	-	312,712	(108,228)	204,484	128,885
Risk management and insurance program	401,562	-	-	-	401,562	-	401,562	421,879
Grants	-	29,988	-	-	29,988	-	29,988	50,000
Rental income	99,638	-	-	-	99,638	-	99,638	99,800
Total revenues	$ 5,050,009	$ 29,988	$ -	$ -	$ 5,079,997	$ (112,184)	$ 4,967,813	$ 4,699,070
EXPENSES								
Salaries	$ 1,230,464	$ -	$ -	$ -	$ 1,230,464	$ -	$ 1,230,464	$ 1,349,243
Payroll taxes	98,052	-	-	-	98,052	-	98,052	110,437
Retirement benefits	27,651	-	-	-	27,651	-	27,651	-
Benefit costs	24,506	-	-	-	24,506	-	24,506	23,818
Staff insurance	142,012	-	-	-	142,012	-	142,012	149,870
Program management	-	3,956	178,688	-	182,644	(3,956)	178,688	275,283
Staff development	7,671	-	-	-	7,671	-	7,671	1,829
Marketing	-	-	94,700	-	94,700	-	94,700	172,169
Travel	124,944	1,044	-	-	125,988	-	125,988	116,424
Building operations	229,364	-	-	-	229,364	-	229,364	228,877
Equipment and computers	253,200	-	-	-	253,200	-	253,200	203,282
Depreciation and amortization	91,599	-	-	-	91,599	-	91,599	93,555
Office supplies	30,143	-	-	73	30,216	-	30,216	25,229
Cartage and postage	13,956	-	-	6	13,962	-	13,962	13,516
Telephone	12,720	-	-	50	12,770	-	12,770	21,446
Investment advisory fees	-	-	81,171	-	81,171	-	81,171	143,626
Professional fees	1,108,073	-	44,237	5,756	1,158,066	-	1,158,066	1,037,811
Sponsorship fees	53,992	-	108,228	-	162,220	(108,228)	53,992	113,633
Printing	42,608	-	-	-	42,608	-	42,608	35,298
Reference materials	2,790	-	-	-	2,790	-	2,790	4,569
Dues	89,824	-	-	-	89,824	-	89,824	90,880
Conventions and conferences	236,067	-	-	-	236,067	-	236,067	227,594
Interest	96,787	-	-	-	96,787	-	96,787	100,219
Web hosting, registration and internet	53,073	-	-	-	53,073	-	53,073	49,786
Contributions	-	24,988	-	-	24,988	-	24,988	44,995
Miscellaneous	186	-	8,753	3,552	12,491	-	12,491	14,020
Bad debt expense	400	-	-	-	400	-	400	2,526
Program banking fees	11,573	-	-	-	11,573	-	11,573	440,365
Total expenses	$ 3,981,655	$ 29,988	$ 515,777	$ 9,437	$ 4,536,857	$ (112,184)	$ 4,424,673	$ 5,090,300
OTHER REVENUE (EXPENSE)								
Interest income	$ 3,407	$ -	$ -	$ 47	$ 3,454	$ -	$ 3,454	$ 3,995
Other income	10,550	-	63,696	23,420	97,666	-	97,666	75,075
Investment income	-	-	485,013	-	485,013	-	485,013	802,049
Dividends issued to participants in ISJIT	-	-	(22,220)	-	(22,220)	-	(22,220)	(24,066)
Change in value of interest rate swap	59,228	-	-	-	59,228	-	59,228	67,564
Change in accrued pension liability	(150,743)	-	-	-	(150,743)	-	(150,743)	88,069
Gain on the sale of PaySchools	-	-	-	-	-	-	-	212,430
Gain on cost of issuance	-	-	-	-	-	-	-	3,407
Total other revenue (expense)	$ (77,558)	$ -	$ 526,489	$ 23,467	$ 472,398	$ -	$ 472,398	$ 1,228,523
Change in net assets and net income	$ 990,796	$ -	$ 10,712	$ 14,030	$ 1,015,538	$ -	$ 1,015,538	$ 837,293
Net assets and retained earnings at beginning of year	3,173,330	-	6,339	921,089	4,100,758	-	4,100,758	3,263,465
Net assets and retained earnings at end of year	$ 4,164,126	$ -	$ 17,051	$ 935,119	$ 5,116,296	$ -	$ 5,116,296	$ 4,100,758

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 3

CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended June 30, 2014
With Comparative Totals for 2013

	Iowa Association of School Boards & Subsidiary	Iowa Association of School Boards Foundation	Iowa Schools Joint Investment Trust	Iowa Schools Cash Anticipation Program	Eliminations	2014 Consolidating Totals	2013 Comparative Totals
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in net assets and net income	$ 990,796	$ -	$ 10,712	$ 14,030	$ -	$ 1,015,538	$ 837,293
Adjustments to reconcile the change in net assets and net income to net cash provided by (used in) operating activities:							
Depreciation and amortization	91,599	-	-	-	-	91,599	93,555
Swap liability	(59,228)	-	-	-	-	(59,228)	(67,564)
Gain on the sale of PaySchools	-	-	-	-	-	-	(212,430)
Change in assets and liabilities:							
(Increase) decrease in assets:							
Accounts receivable	196,958	-	(9,691)	-	(16,064)	171,203	41,952
Accrued interest receivable	-	-	-	-	-	-	(8,586)
Prepaid expenses	103,531	-	-	1,540	-	105,071	(4,686)
Increase (decrease) in liabilities:							
Agency funds	-	-	14,220	-	(14,220)	-	-
Due to IASB	-	-	(15,009)	(1,055)	16,064	-	-
Accounts payable	8,746	-	(1,922)	(295)	-	6,529	(363,409)
Accrued property taxes	(3,534)	-	-	-	-	(3,534)	1,377
Accrued interest	(66)	-	-	-	-	(66)	8,520
Accrued wages	(36,000)	-	-	-	-	(36,000)	(58,766)
Accrued vacation	(12,860)	-	-	-	-	(12,860)	(1,748)
Accrued pension liability	106,827	-	-	-	-	106,827	(197,901)
Deferred revenue	(114,000)	-	-	-	-	(114,000)	76,864
Net cash provided by (used in) operating activities	$ 1,272,769	$ -	$ (1,690)	$ 14,220	$ (14,220)	$ 1,271,079	$ 144,471
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of property and equipment	$ (266,645)	$ -	$ -	$ -	$ -	$ (266,645)	$ -
Net proceeds from the sale of PaySchools	-	-	-	-	-	-	217,242
Net cash (used in) provided by investing activities	$ (266,645)	$ -	$ -	$ -	$ -	$ (266,645)	$ 217,242
CASH FLOWS FROM FINANCING ACTIVITIES							
Issuance of units to ISCAP	$ -	$ -	$ (14,220)	$ -	$ -	$ (14,220)	$ 67,352
Principal payments on notes payable	(31,970)	-	-	-	-	(31,970)	(29,660)
Net cash (used in) provided by financing activities	$ (31,970)	$ -	$ (14,220)	$ -	$ -	$ (46,190)	$ 37,692
Net increase (decrease) in cash and cash equivalents	$ 974,154	$ -	$ (15,910)	$ 14,220	$ (14,220)	$ 958,244	$ 399,405
Cash and cash equivalents at beginning of year	2,570,757	-	35,108	921,021	(921,021)	2,605,865	2,206,460
Cash and cash equivalents at end of year	$ 3,544,911	$ -	$ 19,198	$ 935,241	$ (935,241)	$ 3,564,109	$ 2,605,865
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION							
Cash payments for interest	$ 128,285	$ -	$ -	$ -	$ -	$ 128,285	$ 100,425

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, 2014
With Comparatiave Totals for 2013

ASSETS	Iowa Association of School Boards	Local Government Services, Inc.	Eliminations	2014 Consolidating Totals	2013 Comparative Totals
Cash and cash equivalents	$ 2,568,350	$ 976,561	$ -	$ 3,544,911	$ 2,570,757
Accounts receivable, net of allowance 2014 and 2013: $82,611	47,151	63,604	-	110,755	291,649
Accounts receivable - related entities	13,830	-	-	13,830	29,894
Loan to IASB	-	133,116	(133,116)	-	-
Office property and equipment, net	95,642	3,035,158	-	3,130,800	2,955,754
Prepaid expenses	32,015	3,841	-	35,856	139,387
Total assets	$ 2,756,988	$ 4,212,280	$ (133,116)	$ 6,836,152	$ 5,987,441
LIABILITIES					
Accounts payable	$ 58,471	$ 56,757	$ -	$ 115,228	$ 106,482
Loan from LGS	133,116	-	(133,116)	-	-
Deferred revenue	350,416	835	-	351,251	465,251
Interest rate swap	-	120,325	-	120,325	179,553
Accrued wages	36,000	-	-	36,000	72,000
Accrued vacation	6,738	4,782	-	11,520	24,380
Accrued interest	-	1,278	-	1,278	1,344
Accrued property taxes	-	67,136	-	67,136	70,670
	$ 584,741	$ 251,113	$ (133,116)	$ 702,738	$ 919,680
Accrued pension benefit liability	$ 950,978	$ -	$ -	$ 950,978	$ 844,151
Mortgage payable:					
Mortgage payable - U.S. Bank	$ -	$ 1,018,310	$ -	$ 1,018,310	$ 1,050,280
	$ -	$ 1,018,310	$ -	$ 1,018,310	$ 1,050,280
Total liabilities	$ 1,535,719	$ 1,269,423	$ (133,116)	$ 2,672,026	$ 2,814,111
NET ASSETS AND ACCUMULATED (DEFICIT)					
Unrestricted	$ 1,221,269	$ -	$ 6,306,208	$ 7,527,477	$ 7,101,798
Common stock	-	281,010	(281,010)	-	-
Additional paid in capital	-	6,025,198	(6,025,198)	-	-
Accumulated (deficit)	-	(3,363,351)	-	(3,363,351)	(3,928,468)
Total net assets and accumulated (deficit)	$ 1,221,269	$ 2,942,857	$ -	$ 4,164,126	$ 3,173,330
Total liabilities, net assets, and accumulated (deficit)	$ 2,756,988	$ 4,212,280	$ (133,116)	$ 6,836,152	$ 5,987,441

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 5

CONSOLIDATING STATEMENT OF ACTIVITIES FOR
IOWA ASSOCIATION OF SCHOOL BOARDS & SUBSIDIARY
Year Ended June 30, 2014
With Comparatiave Totals for 2013

	Unrestricted				
	Iowa Association of School Boards	**Local Government Services, Inc.**	**Eliminations**	**2014 Consolidated Totals**	**2013 Comparative Totals**
REVENUES					
Memberships	$ 1,250,387	$ -	$ -	$ 1,250,387	$ 1,205,060
Publications, forms and materials	178,285	-	-	178,285	176,387
Convention and conferences	676,236	-	-	676,236	602,243
Consulting services	25,950	-	-	25,950	21,300
Professional services	91,264	-	-	91,264	156,279
Administrative services	-	1,359,225	(208,000)	1,151,225	1,003,227
Online payment services	-	-	-	-	717,009
PaySchools earn-out fees	-	862,750	-	862,750	187,250
Sponsorships	449,853	-	(137,141)	312,712	320,386
Risk management and insurance program	401,562	-	-	401,562	421,879
Rental income	-	349,638	(250,000)	99,638	99,800
Total revenues	$ 3,073,537	$ 2,571,613	$ (595,141)	$ 5,050,009	$ 4,910,820
EXPENSES					
Salaries	$ 879,414	$ 351,050	$ -	$ 1,230,464	$ 1,349,243
Payroll taxes	70,272	27,780	-	98,052	110,437
Retirement benefits	18,878	8,773	-	27,651	-
Benefit costs	21,142	3,364	-	24,506	23,818
Staff insurance	112,047	29,965	-	142,012	149,870
Staff development	2,100	5,571	-	7,671	1,829
Marketing	-	-	-	-	4,605
Travel	123,305	1,639	-	124,944	115,212
Building operations	260,616	218,748	(250,000)	229,364	228,877
Equipment and computers	-	253,200	-	253,200	203,282
Depreciation and amortization	646	90,953	-	91,599	93,555
Office supplies	26,133	4,010	-	30,143	24,622
Cartage and postage	13,523	433	-	13,956	13,488
Telephone	460	12,260	-	12,720	21,437
Professional fees	619,239	696,834	(208,000)	1,108,073	990,270
Sponsorship fees	8,457	182,676	(137,141)	53,992	113,633
Printing	38,590	4,018	-	42,608	35,298
Reference materials	2,790	-	-	2,790	4,569
Dues	89,289	535	-	89,824	90,880
Conventions and conferences	235,579	488	-	236,067	227,594
Interest	2,884	125,345	(31,442)	96,787	100,219
Web hosting, registration and internet	137	52,936	-	53,073	49,786
Miscellaneous	110	76	-	186	48
Bad debt expense	400	-	-	400	13,140
Program banking fees	10,324	1,249	-	11,573	439,871
Total expenses	$ 2,536,335	$ 2,071,903	$ (626,583)	$ 3,981,655	$ 4,405,583
OTHER REVENUE (EXPENSE)					
Interest income	$ 32,214	$ 2,635	$ (31,442)	$ 3,407	$ 3,952
Other income	7,006	3,544	-	10,550	3,262
Change in value of interest rate swap	-	59,228	-	59,228	67,564
Change in accrued pension liability	(150,743)	-	-	(150,743)	88,069
Contribution to LGS	(6,025,198)	-	6,025,198	-	-
Gain on the sale of PaySchools	-	-	-	-	212,430
Total other revenue (expense)	$ (6,136,721)	$ 65,407	$ 5,993,756	$ (77,558)	$ 375,277
Change in net assets and net income	$ (5,599,519)	$ 565,117	$ 6,025,198	$ 990,796	$ 880,514
Net assets (loss) at beginning of year	6,820,788	(3,928,468)	281,010	3,173,330	2,292,816
Net assets (loss) at end of year	$ 1,221,269	$ (3,363,351)	$ 6,306,208	$ 4,164,126	$ 3,173,330

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, 2014
With Comparatiave Totals for 2013

	Iowa Association of School Boards	Local Government Services, Inc.	Eliminations	2014 Consolidating Totals	2013 Comparative Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets and net income	$ (5,599,519)	$ 565,117	$ 6,025,198	$ 990,796	$ 880,514
Adjustments to reconcile the change in net assets and net income to net cash provided by operating activities:					
Depreciation and amortization	646	90,953	-	91,599	93,555
Swap liability	-	(59,228)	-	(59,228)	(67,564)
(Gain) on the sale of PaySchools	-	-	-	-	(212,430)
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	5,912,364	26,983	(5,742,389)	196,958	67,044
Accrued interest receivable	83,120	-	(83,120)	-	(8,586)
Prepaid pension cost	-	-	-	-	-
Other assets	100,616	2,915	-	103,531	(3,146)
Increase (decrease) in liabilities:					
Accounts payable	173,192	(31,330)	(133,116)	8,746	(367,349)
Accrued property taxes	-	(3,534)	-	(3,534)	1,377
Accrued interest	-	(83,186)	83,120	(66)	8,520
Accrued wages	(36,000)	-	-	(36,000)	(58,766)
Accrued vacation	(10,335)	(2,525)	-	(12,860)	(1,748)
Accrued pension liability	106,827	-	-	106,827	(197,901)
Deferred revenue	(114,835)	835	-	(114,000)	76,864
Net cash provided by operating activities	$ 616,076	$ 507,000	$ 149,693	$ 1,272,769	$ 210,384
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	$ (96,288)	$ (170,357)	$ -	$ (266,645)	$ -
Payments received on loan to LGS	769,172	-	(769,172)	-	-
Net proceeds from the sale of PaySchools	-	-	-	-	217,242
Net cash provided by (used in) investing activities	$ 672,884	$ (170,357)	$ (769,172)	$ (266,645)	$ 217,242
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments on borrowings from IASB	$ -	$ (6,644,677)	$ 6,644,677	$ -	$ -
Additional paid in capital	-	6,025,198	(6,025,198)	-	-
Principal payments on notes payable	-	(31,970)	-	(31,970)	(29,660)
Net cash (used in) provided by financing activities	$ -	$ (651,449)	$ 619,479	$ (31,970)	$ (29,660)
Net increase (decrease) in cash and cash equivalents	$ 1,288,960	$ (314,806)	$ -	$ 974,154	$ 397,966
Cash and cash equivalents at beginning of year	1,279,390	1,291,367	-	2,570,757	2,172,791
Cash and cash equivalents at end of year	$ 2,568,350	$ 976,561	$ -	$ 3,544,911	$ 2,570,757
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION					
Cash payments for interest	$ 2,884	$ 208,521	$ (83,120)	$ 128,285	$ 100,425

See Accompanying Independent Auditor's Report.

IOWA ASSOCIATION OF SCHOOL BOARDS

Schedule 7

CONSOLIDATING STATEMENT OF EXPENSES BY PROGRAM

Year Ended June 30, 2014

	Program Services									
	Advocacy	Governance and Leadership Services	Convention and Conferences	ISJIT Investment Services	ISCAP Administrative Services	Other Programs	Total Program Services	Management and General	Eliminations	2014 Consolidating Totals
Salaries	$ 29,724	$ 346,494	$ 74,154	$ -	$ -	$ 68,114	$ 518,486	$ 711,978	$ -	$ 1,230,464
Payroll taxes	2,274	26,507	5,673	-	-	5,211	39,664	58,388	-	98,052
Retirement expense	879	10,395	2,225	-	-	2,043	15,542	12,109	-	27,651
Benefit costs	-	-	-	-	-	-	-	24,506	-	24,506
Staff insurance	-	-	-	-	-	-	-	142,012	-	142,012
Program management	-	-	-	178,688	-	3,956	182,644	-	(3,956)	178,688
Staff development	-	555	-	-	-	-	555	7,116	-	7,671
Marketing	-	-	-	94,700	-	-	94,700	-	-	94,700
Travel	5,310	20,325	18,470	-	-	40,788	84,893	41,095	-	125,988
Building operations	-	-	-	-	-	-	-	479,364	(250,000)	229,364
Equipment and computers	-	-	-	-	-	-	-	253,200	-	253,200
Depreciation and amortization	-	-	-	-	-	-	-	91,599	-	91,599
Office supplies	164	2,326	4,103	-	73	64	6,730	23,486	-	30,216
Cartage and postage	166	6,046	4,055	-	6	678	10,951	3,011	-	13,962
Telephone	13	73	-	-	50	20	156	12,614	-	12,770
Investment advisory fees	-	-	-	81,171	-	-	81,171	-	-	81,171
Professional fees	60,000	116,254	71,308	44,237	5,756	687,892	985,447	380,619	(208,000)	1,158,066
Sponsorship fees	-	3,000	-	108,228	-	-	111,228	188,133	(245,369)	53,992
Printing	1,216	17,254	15,349	-	-	-	33,819	8,789	-	42,608
Reference materials	2,145	99	-	-	-	-	2,244	546	-	2,790
Dues	-	-	-	-	-	11,690	11,690	78,134	-	89,824
Conventions and conferences	834	14,208	213,385	-	-	1,903	230,330	5,737	-	236,067
Interest	-	-	-	-	-	-	-	128,229	(31,442)	96,787
Web hosting, registration and internet	-	-	-	-	-	-	-	53,073	-	53,073
Contributions	-	-	-	-	-	24,988	24,988	-	-	24,988
Miscellaneous	-	-	-	8,753	3,552	-	12,305	186	-	12,491
Bad debt expense	-	-	-	-	-	-	-	400	-	400
Program banking fees	-	-	-	-	-	836	836	10,737	-	11,573
Total expenses	$ 102,725	$ 563,536	$ 408,721	$ 515,777	$ 9,437	$ 848,183	$ 2,448,378	$ 2,715,061	$ (738,767)	$ 4,424,673

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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) and its controlled entities for the year ended June 30, 2014, and have issued our report thereon dated October 22, 2014. 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 April 16, 2014. 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, 2014. 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. There were no such misstatements.

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 22, 2014.

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 22, 2014

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Telford A. Lodden, CPA, CFP®,
CFF, CVA, ABV, 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

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, 2014, 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 22, 2014

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