IOWA ASSOCIATION FOR EDUCATIONAL PURCHASING

CEDAR FALLS, IOWA

JUNE 30, 2015

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Board of Directors

Name	Title	Representing
Francis Peterson	Board Member	Keystone AEA
Dr. Debra Rich	Board Member	AEA 267
Steve Jimmerson	Board Member	Prairie Lakes AEA
Joe Adam	Board Member	Mississippi Bend AEA
Jim Green	Board Member	Grant Wood AEA
Dr. Earl Bridgewater	Board Member	Heartland AEA
Roger Brinkert	Board Member	Northwest AEA
Julie Wilken	Board Member	Green Hills AEA
Dr. Joy Prothero	Board Member	Great Prairie AEA

Robert Vittengl, Ph.D.	Executive Director
Dan Dreyer	Director of the Food Program
Marie Hills	Administrative Assistant

Independent Auditor's Report

Board of Directors
Iowa Association for Educational Purchasing
Cedar Falls, Iowa

Report on the Financial Statements
We have audited the accompanying statement of net position of the Iowa Association for Educational Purchasing as of June 30, 2015, and the related statements of revenue, expenses and changes in net position 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Association'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 Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe 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 for Educational Purchasing as of June 30, 2015, and the changes in its net position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 5 to the financial statements, the Iowa Association for Educational Purchasing adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis, the schedule of proportionate share of the net pension liability and the schedule of contributions information on pages 4 through 7 and pages 19 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management with the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2015, on our consideration of the Iowa Association for Educational Purchasing's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Iowa Association for Educational Purchasing's internal control over financial reporting and compliance.

Hogan - Hansen

HOGAN - HANSEN

Mason City, Iowa
November 9, 2015

Management's Discussion and Analysis

The Iowa Association for Educational Purchasing (Association) provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities of the Association is for the year ended June 30, 2015. Readers are encouraged to read the management's discussion and analysis in conjunction with the Association's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Association's operating revenue was $665,243 in fiscal year 2015, a decrease from $671,777 in fiscal year 2014.

- The Association's operating expenses were $708,304 in fiscal year 2015, an increase from $598,140 in fiscal year 2014.

- The Association's net position decreased by $42,511 in fiscal year 2015, compared to a $74,200 increase in fiscal year 2014.

USING THIS ANNUAL REPORT

The Iowa Association for Educational Purchasing is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Association's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the Association's financial activities.

The statement of net position presents information on the Association's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The statement of revenue, expenses and changes in net position is the basic statement of activities for proprietary funds. This statement presents information on the Association's operating revenue and expenses, nonoperating revenue and expenses and whether the Association's financial position has improved or deteriorated as a result of the year's activities.

The statement of cash flows presents the change in the Association's cash during the year. This information can assist the user of the report in determining how the Association financed its activities and how it met its cash requirements.

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE ASSOCIATION

Statement of Net Position

Net position may serve over time as a useful indicator of the Association's financial position. The Association's net position at the end of fiscal year 2015 totaled $125,829. A summary of the Association's net position as of June 30, 2015 and 2014 is presented below.

	2015	2014 (Not Restated)
Current assets	$ 833,904	$ 334,605
Capital assets, net of accumulated depreciation	13,394	19,764
Total Assets	**847,298**	**354,369**
Deferred Outflows of Resources	**60,286**	**—**
Total Assets and Deferred Outflows of Resources	**$ 907,584**	**$ 354,369**
Long-term liabilities	$ 140,842	$ —
Current liabilities	566,448	21,378
Total Liabilities	**707,290**	**21,378**
Deferred Inflows of Resources	**74,465**	**—**
Net Position		
Investment in capital assets	13,394	19,764
Unrestricted	112,435	313,227
Total Net Position	**125,829**	**332,991**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 907,584**	**$ 354,369**

The unrestricted portion of the Association's net position (90%) can be used to meet the Association's obligations as they come due. Investment in capital assets (e.g., furniture, equipment and vehicle) (10%) is resources allocated to capital assets.

Statement of Revenue, Expenses and Changes in Net Position

Operating revenue is received for the cooperative food purchasing program. Operating expenses are expenses paid to operate the Association. Nonoperating revenue includes interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenue, expenses and changes in net position for the years ended June 30, 2015 and 2014 is presented below:

	2015	2014 (Not Restated)
Operating Revenue		
Cooperative	**$ 665,243**	**$ 671,777**
Operating Expenses		
Wages and payroll taxes	282,195	261,419
Rebates	237,320	170,318
Professional fees	105,622	89,064
Travel	20,537	19,604
Purchased services	475	950
Supplies	12,122	13,484
Insurance	9,769	9,229
Telephone and communication	5,100	4,731
Depreciation	6,370	6,052
Meeting expense	4,843	6,099
Marketing	3,935	274
Information technology	6,268	2,596
Repairs and maintenance	40	161
Rent	11,926	12,540
Staff dues	1,782	1,619
Total Operating Expenses	**708,304**	**598,140**
Operating Income (Loss)	**(43,061)**	**73,637**
Nonoperating Revenue		
Interest income	550	563
Change in Net Position	**(42,511)**	**74,200**
Net Position - Beginning of Year, as restated (Note 9)	168,340	258,791
Net Position - End of Year	**$ 125,829**	**$ 332,991**

Statement of Cash Flows

The statement of cash flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash from operating activities includes cooperative revenue and cash received prior to consolidation, reduced by payments to employees and suppliers. Cash from investing activities includes interest income.

CAPITAL ASSETS

As of June 30, 2015, the Association had $13,394 invested in capital assets, net of accumulated depreciation of $18,457. Depreciation expense totaled $6,370 for fiscal year 2015. More detailed information about the Association's capital assets is presented in Note 2 to the financial statements.

ECONOMIC FACTORS

The Iowa Association for Educational Purchasing began operation on July 1, 2011. In its fifth year of operation, the Association had approximately 315 school district clients which purchased over $27,142,683 of food products and lunchroom supplies through our program. We estimate that by the clients' participation in our program, the Association saved them approximately $2,566,329 in food and supply costs.

The Association fee of 50 cents per case yielded $629,575 in fees. After all expenses are paid and a reasonable cash flow amount is retained, the Association will rebate any remaining monies to clients on a pro rata basis.

During the 2014-15 year, the Association continued to utilize the services of a full-time food program consultant to help clients deal with the numerous state and federal dietary regulations. The program consultant made the program more appealing to those who weren't clients which led to several of them joining the program.

For the 2015-16 year, the Association is consolidating with Iowa Educators Corporation and the Iowa Association of Area Education Agencies.

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and customers with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Iowa Association for Educational Purchasing, 3712 Cedar Heights Drive, Cedar Falls, Iowa 50613.

Financial Statements

Statement of Net Position

As of June 30, 2015

Assets	
Current Assets	
Cash	$ 833,904
Capital Assets, Net of Accumulated Depreciation	13,394
Total Assets	847,298
Deferred Outflows of Resources	
Pension-related deferred outflows	60,286
Total Assets and Deferred Outflows of Resources	$ 907,584
Liabilities and Net Position	
Current Liabilities	
Accounts payable	$ 41,179
Advance payable upon consolidation	525,269
Total Current Liabilities	566,448
Long-Term Liabilities	
Net pension liability	140,842
Total Liabilities	707,290
Deferred Inflows of Resources	
Pension-related deferred inflows	74,465
Net Position	
Investment in capital assets	13,394
Unrestricted	112,435
Total Net Position	125,829
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 907,584

See accompanying notes to the financial statements.

Statement of Revenue, Expenses and Changes in Net Position

Year Ended June 30, 2015

Operating Revenue	
Cooperative	**$ 665,243**
Operating Expenses	
Wages, benefits and payroll taxes	282,195
Rebates	237,320
Professional fees	105,622
Travel	20,537
Purchased services	475
Supplies	12,122
Insurance	9,769
Telephone and communication	5,100
Depreciation	6,370
Meeting expense	4,843
Marketing	3,935
Information technology	6,268
Repairs and maintenance	40
Rent	11,926
Staff dues	1,782
Total Operating Expenses	**708,304**
Operating Loss	**(43,061)**
Nonoperating Revenue	
Interest income	**550**
Change in Net Position	**(42,511)**
Net Position - Beginning of Year, as restated (Note 9)	168,340
Net Position - End of Year	**$ 125,829**

See accompanying notes to the financial statements.

Statement of Cash Flows

Year Ended June 30, 2015

Cash Flows From Operating Activities	
Cash received from cooperative	$ 671,089
Cash paid to suppliers for goods and services	(398,984)
Cash paid to employees for services	(292,779)
Cash received prior to consolidation	525,269
Net Cash Provided by Operating Activities	**504,595**
Cash Flows From Investing Activities	
Interest received	**550**
Net Increase in Cash	**505,145**
Cash at Beginning of Year	328,759
Cash at End of Year	**$ 833,904**
Reconciliation of Operating Income to Net Cash Used in Operating Activities	
Operating loss	$ (43,061)
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities	
Depreciation	6,370
Changes in Assets and Liabilities	
Decrease in accounts receivable	5,846
Increase in accounts payable	20,755
Decrease in accrued expenses	(954)
Increase in advance payable upon consolidation	525,269
Decrease in net pension liability	(23,809)
Increase in deferred outflows of resources	(60,286)
Increase in deferred inflows of resources	74,465
Net Cash Provided by Operating Activities	**$ 504,595**

See accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies and Other Matters

Nature of Activities

The Iowa Association for Educational Purchasing is an Iowa organization formed by the Iowa Area Education Agencies (AEAs) under Chapter 28E of the Code of Iowa to assist member schools with the purchase of products and services that enhance their school meals programs in support of the educational goals of students. Member schools include Iowa public schools, accredited nonpublic schools and any other institution participating in the National School Lunch Program and served by the Iowa AEAs.

The Association is composed of all of the Iowa AEAs. The members are: AEA 267, Keystone AEA, Green Hills AEA, Mississippi Bend AEA, Grant Wood AEA, Northwest AEA, Great Prairie AEA, Prairie Lakes AEA and Heartland AEA.

Reporting Entity

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

Measurement Focus and Basis of Presentation

The accounts of the Association are organized as an enterprise fund. Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Association distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the Association's principal ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

(1) Summary of Significant Accounting Policies and Other Matters

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses.

Cash

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

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

As of June 30, 2015, the Association had no investments.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Capital Assets

Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

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

Type	**Estimated Useful Lives**
Automobiles	5 Years
Furniture and equipment	5 Years

Depreciation expense for the year ended June 30, 2015 was $6,370.

Advance Payable Upon Consolidation

The advance payable upon consolidation consists of funds transferred from Iowa Educators Corporation in anticipation of the organizational change occurring on July 1, 2015 due to a consolidation of activities with Iowa Educators Corporation and the Iowa Association of Area Education Agencies.

(1) Summary of Significant Accounting Policies and Other Matters

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

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

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

Deferred inflows of resources in the statement of net position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Subsequent Events
Management has evaluated subsequent events through November 9, 2015, the date which the financial statements were available to be issued.

(2) Capital Assets

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

	Balance - Beginning of Year	Increase	Decrease	Balance - End of Year
Capital Assets Being Depreciated				
Furniture and equipment	$ 10,285	$ —	$ —	$ 10,285
Vehicle	21,566	—	—	21,566
Total Capital Assets Being Depreciated	31,851	—	—	31,851
Less Accumulated Depreciation for				
Furniture and equipment	4,539	2,057	—	6,596
Vehicle	7,548	4,313	—	11,861
Total Accumulated Depreciation	12,087	6,370	—	18,457
Net Capital Assets	**$ 19,764**	**$ 6,370**	**$ —**	**$ 13,394**

(3) Risk Management

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

(4) Long-Term Liabilities

A summary of the change in the long-term liability for the year ended June 30, 2015 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
Net Pension Liability	**$ 164,651**	**$ —**	**$ 23,809**	**$ 140,842**	**$ —**

(5) Pension and Retirement Benefits

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

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

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

- A multiplier (based on years of service).

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

(5) Pension and Retirement Benefits

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

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

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

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

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

The Association's contributions to IPERS for the year ended June 30, 2015 were $22,375.

Net Pension Liabilities and Pension Expense
As of June 30, 2015, the Association reported a liability of $140,842 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Association's proportion of the net pension liability was based on the Association's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2014, the Association's proportion was 0.003480% which was an increase of 0.000205% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Association recognized pension expense of $12,745.

(5) Pension and Retirement Benefits

Actuarial Assumptions

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

Rate of inflation (effective June 30, 2014)	3%
Salary increases (effective June 30, 2014)	4%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of pension plan investment expense, including inflation

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

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

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

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

(5) Pension and Retirement Benefits

Discount Rate

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

Sensitivity of the Association's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Association's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Association's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	**Discount Rate (7.5%)**	**1% Increase (8.5%)**
Association's proportionate share of the net pension liability	$ 266,177	$ 140,842	$ 35,097

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at *www.ipers.org*.

Payables to the Pension Plan

As of June 30, 2015, the Association reported payables to the defined benefit pension plan of $0 for legally required employer contributions and $0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(6) Related Party Transactions

The Association paid $38,027 to Grant Wood AEA for services. The Association owed $17,133 to Grant Wood AEA as of June 30, 2015, which is reflected in the statement of net position.

(7) Subsequent Consolidation of Assets

Effective July 1, 2015, the Association's Board of Directors approved a dissolution of the Association whereby certain assets were transferred from Iowa Educators Corporation (IEC) to the Association. The Association received $525,269 from IEC prior to July 1, 2015 in anticipation of the dissolution.

Also, effective July 1, 2015, the activities of the Association, IEC and the Iowa Association of Area Education Agencies were consolidated into one entity known as the Iowa Association of Area Education Agencies (IAAEA). The parties agreed to assign assets, rights and activities of the Association, IEC and the former Iowa Association of Area Education Agencies to the IAAEA along with transferring any employees and staff. The IAAEA will be operated under a 28E Agreement.

(8) Concentrations

Approximately 93% of the Association's operating revenue was received from one customer for the year ended June 30, 2015.

(9) Accounting Change/Restatement

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

	Net Position
Net position - June 30, 2014, as previously reported	$ 332,991
Net pension liability as of June 30, 2014	(164,651)
Net Position - July 1, 2014, as Restated	**$ 168,340**

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System

Last Fiscal Year*

	2015
Association's proportion of the net pension liability	0.003480%
Association's proportionate share of the net pension liability	$ 140,842
Association's covered-employee payroll	$ 232,385
Association's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.61%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Three Fiscal Years

	2015	2014	2013
Statutorily required contribution	$ 22,374	$ 20,752	$ 18,362
Contributions in relation to the statutorily required contributions	(22,374)	(20,752)	(18,362)
Contribution Deficiency (Excess)	$ —	$ —	$ —
Association's covered-employee payroll	$ 250,773	$ 232,385	$ 211,788
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%

Changes of Benefit Terms

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

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

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

Changes of Assumptions

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

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

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

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

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

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

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

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

Board of Directors
Iowa Association for Educational Purchasing
Cedar Falls, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Iowa Association for Educational Purchasing as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2015.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the Iowa Association for Educational Purchasing's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Iowa Association for Educational Purchasing's internal control. Accordingly, we do not express an opinion on the effectiveness of the Iowa Association for Educational Purchasing's internal control.

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

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 Association's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 15-IC-1 to be a material weakness.

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

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

Iowa Association for Educational Purchasing's Responses to Findings
The Iowa Association for Educational Purchasing's responses to findings identified in our audit are described in the accompanying schedule of findings. The Association's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Hogan - Hansen

HOGAN - HANSEN

Mason City, Iowa
November 9, 2015

Findings Related to the Financial Statement

Instances of Noncompliance
There were no reported instances of noncompliance.

Internal Control Deficiencies

15-IC-1 Supporting Documentation for Expenses

Finding - During our audit, we tested several disbursements, one of which was not supported by proper documentation.

Auditor's Recommendation - The Association should have procedures in place to ensure that all expenses have appropriate support before payment is issued.

Association's Response - The Association had reviewed our procedures and made the necessary changes to ensure that all expenses have appropriate supporting documentation. We will review the procedures with the staff.

Auditor's Conclusion - Response accepted.

Other Findings Related to Required Statutory Reporting

15-C-1 **Questionable Expenses** - We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, except for the item discussed in finding 15-IC-1.

15-C-2 **Travel Expense** - No expenditures for travel expenses of spouses of Association officials or employees were noted. However, we noted that for one individual travel expense transaction, there was a lack of documentation to show that the expense met the public purpose requirement as defined in an Attorney General's opinion dated April 25, 1979 as discussed in finding 15-IC-1.

15-C-3 **Board Minutes** - No transactions were found that we believe should have been approved in the Association minutes but were not.

15-C-4 **Deposits and Investments** - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Association's investment policy.