

**IOWA STATE ASSOCIATION OF COUNTIES**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2008 AND 2007**

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*Partners*

Michael E. Brinker, CPA  
David W. Hurst, CPA  
Kathleen A. Koenig, CPA  
Robert R. McGowen, CPA  
Michael W. McNichols, CPA  
Thomas J. Pflanz, CPA, CFP®  
John A. Schmidt, CPA  
Daniel A. Schwarz, CPA/ABV  
S. James Smith, CPA  
Joni M. Tonnemacher, CPA, CFD

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
Iowa State Association of Counties

We have audited the accompanying statements of financial position of the Iowa State Association of Counties as of June 30, 2008 and 2007, and the related statements of activities, program activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Iowa State Association of Counties as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 8, 2008, on our consideration of the Iowa State Association of Counties' 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit of the basic financial statements as of and for the year ended June 30, 2008, was made primarily to form an opinion on the consolidated financial statements taken as a whole. The supplemental information contained on page 13 is presented for the purposes of additional analysis and, although not required for a fair presentation of the financial position and changes in net assets, was subjected to the audit procedures applied in the audit of the basic financial statements. In our opinion, the supplemental information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*McGowen, Hurst, Clark & Smith, P.C.*

West Des Moines, Iowa  
October 8, 2008

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*Founded in 1946*

1601 West Lakes Parkway, Suite 300  
West Des Moines, Iowa 50266  
515-288-3279 • Fax: 515-280-1490

106 E. Jefferson Street, P.O. Box 312  
Winterset, Iowa 50273-0312  
515-462-1882 • Fax: 515-462-1577

**IOWA STATE ASSOCIATION OF COUNTIES**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2008**

	<u>Iowa State Association of Counties</u>			<u>Electronic Transactions Clearinghouse</u>	<u>ISAC Education Foundation</u>	<u>Eliminations</u>	<u>Total</u>
	<u>Association Activities</u>	<u>Program Activities</u>	<u>Total</u>				
Cash and cash equivalents	\$ 268,325	\$ 3,573,418	\$ 3,841,743	\$ 74,757	\$ 65,335	\$ -	\$ 3,981,835
Investments	1,083,342	19,896,438	20,979,780	-	40,000	-	21,019,780
Accounts receivable	148,248	94,264	242,512	3,531	2,800	(58,279)	190,564
Grants receivable	70,875	-	70,875	-	-	-	70,875
Due from Wellmark	-	263,830	263,830	-	-	-	263,830
Interest receivable	5,279	201,977	207,256	-	-	-	207,256
Property and equipment, net of accumulated depreciation of \$233,128	268,592	-	268,592	45,596	-	-	314,188
<b>TOTAL ASSETS</b>	<b>\$ 1,844,661</b>	<b>\$ 24,029,927</b>	<b>\$ 25,874,588</b>	<b>\$ 123,884</b>	<b>\$ 108,135</b>	<b>\$ (58,279)</b>	<b>\$ 26,048,328</b>
Accounts payable and accrued liabilities	\$ 117,420	\$ 67,465	\$ 184,885	\$ 58,326	\$ 40,509	\$ (58,279)	\$ 225,441
Funds held for benefit of members	-	23,583,562	23,583,562	-	-	-	23,583,562
Unearned revenue	38,230	378,900	417,130	1,536	-	-	418,666
Compensated absences	85,825	-	85,825	-	-	-	85,825
<b>TOTAL LIABILITIES</b>	<b>241,475</b>	<b>24,029,927</b>	<b>24,271,402</b>	<b>59,862</b>	<b>40,509</b>	<b>(58,279)</b>	<b>24,313,494</b>
<b>NET ASSETS</b>	<b>1,603,186</b>	<b>-</b>	<b>1,603,186</b>	<b>64,022</b>	<b>67,626</b>	<b>-</b>	<b>1,734,834</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,844,661</b>	<b>\$ 24,029,927</b>	<b>\$ 25,874,588</b>	<b>\$ 123,884</b>	<b>\$ 108,135</b>	<b>\$ (58,279)</b>	<b>\$ 26,048,328</b>

The accompanying notes are an integral part of these financial statements.

**IOWA STATE ASSOCIATION OF COUNTIES**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2007**

	<u>Iowa State Association of Counties</u>			<u>Electronic Transactions Clearinghouse</u>	<u>ISAC Education Foundation</u>	<u>Eliminations</u>	<u>Total</u>
	<u>Association Activities</u>	<u>Program Activities</u>	<u>Total</u>				
Cash and cash equivalents	\$ 92,592	\$ 4,303,311	\$ 4,395,903	\$ 129,379	\$ 81,994	\$ -	\$ 4,607,276
Investments	1,118,232	18,497,778	19,616,010	-	20,000	-	19,636,010
Accounts receivable	213,722	88,805	302,527	43,348	1,475	(110,736)	236,614
Interest receivable	4,704	186,986	191,690	-	-	-	191,690
Property and equipment, net of accumulated depreciation of \$206,585	54,351	-	54,351	5,737	-	-	60,088
<b>TOTAL ASSETS</b>	<b>\$ 1,483,601</b>	<b>\$ 23,076,880</b>	<b>\$ 24,560,481</b>	<b>\$ 178,464</b>	<b>\$ 103,469</b>	<b>\$ (110,736)</b>	<b>\$ 24,731,678</b>
Accounts payable and accrued liabilities	\$ 43,158	\$ 79,156	\$ 122,314	\$ 112,468	\$ 39,530	\$ (110,736)	\$ 163,576
Due to Wellmark	-	328,535	328,535	-	-	-	328,535
Funds held for benefit of members	-	22,128,476	22,128,476	-	-	-	22,128,476
Unearned revenue	37,297	540,713	578,010	27,033	-	-	605,043
Compensated absences	117,883	-	117,883	-	-	-	117,883
<b>TOTAL LIABILITIES</b>	<b>198,338</b>	<b>23,076,880</b>	<b>23,275,218</b>	<b>139,501</b>	<b>39,530</b>	<b>(110,736)</b>	<b>23,343,513</b>
<b>NET ASSETS</b>	<b>1,285,263</b>	<b>-</b>	<b>1,285,263</b>	<b>38,963</b>	<b>63,939</b>	<b>-</b>	<b>1,388,165</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,483,601</b>	<b>\$ 23,076,880</b>	<b>\$ 24,560,481</b>	<b>\$ 178,464</b>	<b>\$ 103,469</b>	<b>\$ (110,736)</b>	<b>\$ 24,731,678</b>

**IOWA STATE ASSOCIATION OF COUNTIES**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2008**

Iowa State Association of Counties

REVENUE	Association Activities		Program	Total
	Budget	Actual	Activities	
Schools, workshops, committees & seminars	\$ 242,500	\$ 244,557	\$ -	\$ 244,557
Contributions	-	-	4,500	4,500
Grant	-	204,000	-	204,000
Dues	492,350	487,475	-	487,475
Royalties	230,400	320,765	-	320,765
Investment income	60,000	69,562	1,023,994	1,093,556
Magazine advertising and subscriptions	44,000	39,257	-	39,257
Administration fees	804,928	798,562	-	798,562
County premiums	-	-	19,358,219	19,358,219
Special event revenue	-	-	-	-
Miscellaneous	-	1,363	-	1,363
<b>Total Revenues</b>	<b>1,874,178</b>	<b>2,165,541</b>	<b>20,386,713</b>	<b>22,552,254</b>
<b>EXPENSES</b>				
Salaries and fringe benefits	1,413,416	1,269,865	-	1,269,865
Schools, workshops and meetings	121,500	93,497	-	93,497
Board of Directors' meeting expenses	30,000	38,376	-	38,376
Other board authorized expense	5,000	-	-	-
NACO conference	15,000	11,234	-	11,234
Staff travel and training	65,000	54,069	-	54,069
Public relations	4,000	613	-	613
Consulting/professional services	19,400	14,400	-	14,400
Rents and utilities	170,479	177,146	-	177,146
Supplies, printing and postage	31,500	22,121	-	22,121
Computer supplies	10,000	3,592	-	3,592
Equipment rental and repair	4,750	2,803	-	2,803
Depreciation expense	-	26,413	-	26,413
Maintenance agreements	18,000	17,601	-	17,601
Professional membership	3,500	3,435	-	3,435
Library	9,000	13,038	-	13,038
Magazine	36,000	40,845	-	40,845
Insurance and bonds	16,500	21,959	-	21,959
Acquisition of property and equipment	20,000	-	-	-
Special event expense	-	-	-	-
Miscellaneous	1,000	20,706	233,568	254,274
Scholarships	-	-	-	-
Claims and premiums paid	-	-	18,348,031	18,348,031
Administration	-	-	267,768	267,768
Wellness program	-	-	82,260	82,260
County technologies clearinghouse	7,500	15,905	-	15,905
Project management and development	-	-	-	-
<b>Total Expenses</b>	<b>2,001,545</b>	<b>1,847,618</b>	<b>18,931,627</b>	<b>20,779,245</b>
<b>INCREASE IN FUNDS HELD FOR BENEFIT OF MEMBERS</b>	-	-	<b>\$ 1,455,086</b>	<b>1,455,086</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ (127,367)</b>	<b>317,923</b>		<b>317,923</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>		<b>1,285,263</b>		<b>1,285,263</b>
<b>NET ASSETS, END OF YEAR</b>		<b>\$ 1,603,186</b>		<b>\$ 1,603,186</b>

The accompanying notes are an integral part of these financial statements.

Electronic Transactions Clearinghouse	ISAC Education Foundation	Eliminations	Total	Prior Year Total
\$ -	\$ -	\$ -	\$ 244,557	\$ 260,907
-	305	-	4,805	300
-	-	-	204,000	-
132,320	-	-	619,795	645,205
-	-	-	320,765	266,316
2,956	3,212	-	1,099,724	1,162,233
-	-	-	39,257	41,806
-	-	(4,434)	794,128	815,659
-	-	-	19,358,219	18,404,128
-	51,816	-	51,816	74,154
12,200	-	-	13,563	10,596
147,476	55,333	(4,434)	22,750,629	21,681,304
-	-	-	1,269,865	1,278,372
-	-	-	93,497	121,622
-	-	-	38,376	38,406
-	-	-	-	2,081
-	-	-	11,234	17,952
-	-	-	54,069	60,304
-	-	-	613	389
-	-	-	14,400	22,236
-	-	-	177,146	177,548
1,320	-	-	23,441	24,802
-	-	-	3,592	3,560
-	-	-	2,803	1,900
6,211	-	-	32,624	29,361
-	-	-	17,601	17,238
-	-	-	3,435	3,355
-	-	-	13,038	8,854
-	-	-	40,845	35,588
-	-	-	21,959	14,381
-	-	-	-	-
-	16,358	-	16,358	30,508
1,837	1,814	-	257,925	152,619
-	33,474	-	33,474	35,953
-	-	-	18,348,031	16,940,040
57,131	-	(4,434)	320,465	261,068
-	-	-	82,260	85,766
-	-	-	15,905	-
55,918	-	-	55,918	87,279
122,417	51,646	(4,434)	20,948,874	19,451,182
-	-	-	1,455,086	2,042,194
25,059	3,687	-	346,669	187,928
38,963	63,939	-	1,388,165	1,200,237
\$ 64,022	\$ 67,626	-	\$ 1,734,834	\$ 1,388,165

**IOWA STATE ASSOCIATION OF COUNTIES**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2007**

Iowa State Association of Counties

	Association Activities		Program	Total
	Budget	Actual	Activities	
<b>REVENUE</b>				
Schools, workshops, committees & seminars	\$ 247,000	\$ 260,907	\$ -	\$ 260,907
Contributions	-	-	-	-
Dues	477,500	463,519	-	463,519
Royalties	198,400	266,316	-	266,316
Investment income	45,000	70,523	1,088,395	1,158,918
Magazine advertising and subscriptions	46,600	41,806	-	41,806
Administration fees	762,968	840,082	-	840,082
County premiums	-	-	18,404,128	18,404,128
Special event revenue	-	-	-	-
Miscellaneous	-	10,596	-	10,596
<b>Total Revenues</b>	<b>1,777,468</b>	<b>1,953,749</b>	<b>19,492,523</b>	<b>21,446,272</b>
<b>EXPENSES</b>				
Salaries and fringe benefits	1,357,188	1,278,372	-	1,278,372
Schools, workshops and meetings	111,500	121,622	-	121,622
Board of Directors' meeting expenses	26,000	38,406	-	38,406
Other board authorized expense	5,000	2,081	-	2,081
NACO conference	15,000	17,952	-	17,952
Staff travel and training	60,000	60,304	-	60,304
Public relations	4,000	389	-	389
Consulting/professional services	17,500	22,236	-	22,236
Rents and utilities	162,489	177,548	-	177,548
Supplies, printing and postage	37,000	24,777	-	24,777
Computer supplies	10,000	3,560	-	3,560
Equipment rental and repair	4,750	1,900	-	1,900
Depreciation expense	-	26,177	-	26,177
Maintenance agreements	18,000	17,238	-	17,238
Professional membership	3,500	3,355	-	3,355
Library	9,000	8,854	-	8,854
Magazine	34,000	35,588	-	35,588
Insurance and bonds	15,000	14,381	-	14,381
Acquisition of property and equipment	20,000	-	-	-
Special event expense	-	-	-	-
Miscellaneous	1,000	46,861	103,476	150,337
Scholarships	-	-	53,128	53,128
Claims and premiums paid	-	-	16,940,040	16,940,040
Administration	-	-	267,919	267,919
Wellness program	-	-	85,766	85,766
Project management and development	-	-	-	-
<b>Total Expenses</b>	<b>1,910,927</b>	<b>1,901,601</b>	<b>17,450,329</b>	<b>19,351,930</b>
<b>INCREASE IN FUNDS HELD FOR BENEFIT OF MEMBERS</b>	<b>-</b>	<b>-</b>	<b>\$ 2,042,194</b>	<b>2,042,194</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ (133,459)</b>	<b>52,148</b>		<b>52,148</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>		<b>1,233,115</b>		<b>1,233,115</b>
<b>NET ASSETS, END OF YEAR</b>		<b>\$ 1,285,263</b>		<b>\$ 1,285,263</b>

The accompanying notes are an integral part of these financial statements.

Electronic Transactions Clearinghouse	ISAC Education Foundation	Eliminations	Total
\$ -	\$ -	\$ -	\$ 260,907
-	53,428	(53,128)	300
181,686	-	-	645,205
-	-	-	266,316
2	3,313	-	1,162,233
-	-	-	41,806
-	-	(24,423)	815,659
-	-	-	18,404,128
-	74,154	-	74,154
-	-	-	10,596
<u>181,688</u>	<u>130,895</u>	<u>(77,551)</u>	<u>21,681,304</u>
-	-	-	1,278,372
-	-	-	121,622
-	-	-	38,406
-	-	-	2,081
-	-	-	17,952
-	-	-	60,304
-	-	-	389
-	-	-	22,236
-	-	-	177,548
25	-	-	24,802
-	-	-	3,560
-	-	-	1,900
3,184	-	-	29,361
-	-	-	17,238
-	-	-	3,355
-	-	-	8,854
-	-	-	35,588
-	-	-	14,381
-	-	-	-
-	30,508	-	30,508
1,787	495	-	152,619
-	35,953	(53,128)	35,953
-	-	-	16,940,040
17,572	-	(24,423)	261,068
-	-	-	85,766
87,279	-	-	87,279
<u>109,847</u>	<u>66,956</u>	<u>(77,551)</u>	<u>19,451,182</u>
-	-	-	2,042,194
71,841	63,939	-	187,928
(32,878)	-	-	1,200,237
<u>\$ 38,963</u>	<u>\$ 63,939</u>	-	<u>\$ 1,388,165</u>

**IOWA STATE ASSOCIATION OF COUNTIES**  
**STATEMENTS OF PROGRAM ACTIVITIES**  
**YEARS ENDED JUNE 30, 2008 AND 2007**

**Year Ended June 30, 2008**

	<u>Health Fund</u>	<u>AD&amp;D Fund</u>	<u>Unemployment Fund</u>
<b>REVENUE</b>			
Contributions	\$ -	\$ -	\$ -
Investment income	926,139	1,147	96,708
County premiums	18,987,407	120,760	250,052
<b>Total Revenues</b>	<u>19,913,546</u>	<u>121,907</u>	<u>346,760</u>
<b>EXPENSES</b>			
Miscellaneous	111,298	437	121,833
Claims and premiums paid	18,033,052	111,719	203,260
Administration	242,910	9,058	15,800
Wellness program	82,260	-	-
<b>Total Expenses</b>	<u>18,469,520</u>	<u>121,214</u>	<u>340,893</u>
<b>INCREASE IN FUNDS HELD FOR BENEFIT OF MEMBERS</b>	1,444,026	693	5,867
<b>FUNDS HELD FOR BENEFIT OF MEMBERS - BEGINNING OF YEAR</b>	<u>20,139,918</u>	<u>34,929</u>	<u>1,948,499</u>
<b>FUNDS HELD FOR BENEFIT OF MEMBERS - END OF YEAR</b>	<u>\$ 21,583,944</u>	<u>\$ 35,622</u>	<u>\$ 1,954,366</u>

**Year Ended June 30, 2007**

	<u>Health Fund</u>	<u>AD&amp;D Fund</u>	<u>Unemployment Fund</u>
<b>REVENUE</b>			
Contributions	\$ -	\$ -	\$ -
Investment income	995,277	1,605	91,513
County premiums	18,032,739	128,071	243,318
<b>Total Revenues</b>	<u>19,028,016</u>	<u>129,676</u>	<u>334,831</u>
<b>EXPENSES</b>			
Miscellaneous	102,804	435	237
Scholarships	-	-	-
Claims and premiums paid	16,617,816	117,774	204,450
Administration	242,800	9,549	15,570
Wellness program	85,766	-	-
<b>Total Expenses</b>	<u>17,049,186</u>	<u>127,758</u>	<u>220,257</u>
<b>INCREASE (DECREASE) IN FUNDS HELD FOR BENEFIT OF MEMBERS</b>	1,978,830	1,918	114,574
<b>FUNDS HELD FOR BENEFIT OF MEMBERS - BEGINNING OF YEAR</b>	<u>18,161,088</u>	<u>33,011</u>	<u>1,833,925</u>
<b>FUNDS HELD FOR BENEFIT OF MEMBERS - END OF YEAR</b>	<u>\$ 20,139,918</u>	<u>\$ 34,929</u>	<u>\$ 1,948,499</u>

The accompany notes are an integral part of these financial statements.

Multi-County Service Agency Fund	Scholarship Fund	Total Program Activities
\$ 4,500	\$ -	\$ 4,500
-	-	1,023,994
-	-	19,358,219
<u>4,500</u>	<u>-</u>	<u>20,386,713</u>
-	-	233,568
-	-	18,348,031
-	-	267,768
-	-	82,260
<u>-</u>	<u>-</u>	<u>18,931,627</u>
4,500	-	1,455,086
<u>5,130</u>	<u>-</u>	<u>22,128,476</u>
<u>\$ 9,630</u>	<u>\$ -</u>	<u>\$ 23,583,562</u>

Multi-County Service Agency Fund	Scholarship Fund	Total Program Activities
\$ -	\$ -	\$ -
-	-	1,088,395
-	-	18,404,128
<u>-</u>	<u>-</u>	<u>19,492,523</u>
-	-	103,476
-	53,128	53,128
-	-	16,940,040
-	-	267,919
-	-	85,766
<u>-</u>	<u>53,128</u>	<u>17,450,329</u>
-	(53,128)	2,042,194
<u>5,130</u>	<u>53,128</u>	<u>20,086,282</u>
<u>\$ 5,130</u>	<u>\$ -</u>	<u>\$ 22,128,476</u>

**IOWA STATE ASSOCIATION OF COUNTIES**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 346,669	\$ 187,928
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	32,624	29,361
Realized and unrealized gains on investments	(80,064)	(257,120)
Change in:		
Accounts receivable	(288,655)	(9,616)
Interest receivable	(15,566)	(33,194)
Accounts payable and accrued liabilities	(266,670)	363,120
Funds held for benefit of members	1,455,086	2,042,194
Unearned revenue	(186,377)	430,078
Compensated absences	(32,058)	10,684
	964,989	2,763,435
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	(286,724)	(19,079)
Proceeds from maturities and sales of investments	23,747,150	10,150,996
Purchases of investments	(25,050,856)	(10,792,686)
	(1,590,430)	(660,769)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(625,441)	2,102,666
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	4,607,276	2,504,610
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 3,981,835	\$ 4,607,276

The accompanying notes are an integral part of these financial statements.

**IOWA STATE ASSOCIATION OF COUNTIES**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization - The Iowa State Association of Counties ("Association") was established in 1968 as a perpetual, non-profit corporation under the provisions of Chapter 504A of the Iowa Non-Profit Corporation Act.

The purposes for which the Association is organized are to maintain a permanent organization to secure cooperation among the counties of the State of Iowa and the public officers of the counties in a comprehensive study of local problems and in the application of knowledge obtained to procure efficient methods of local government.

The financial statements include the financial position and activities of Electronic Transactions Clearinghouse (ETC) and Iowa State Association of Counties Education Foundation, Inc. (Education Foundation). ETC was formed under Iowa Code Chapter 28E to provide the use of an electronic data interchange for Health Insurance Portability and Accountability Act (HIPAA) related transactions with member counties in Iowa and shares a common board with the Association. The Education Foundation was established during 2007 under section 501(c)(3) of the Internal Revenue Code for the purpose of receiving contributions for and awarding scholarships. The Education Foundation also shares a common board with the Association. All significant intercompany accounts and transactions have been eliminated from the financial statements.

Program Services - The Association receives premiums and contributions from its members to fund health insurance benefit programs, an unemployment benefit program and other special programs. These funds and related investment earnings are held by the Association on the behalf of these members. Expenses incurred in providing benefits to the participating members are deducted from the funds held. The Association has an understanding with its members that any excess funds will be used to pay for future benefits, reduce future premium charges or will be refunded to the participating members.

Functional Allocation of Expenses - The Statement of Activities and Statement of Program Activities present expenses by functional classification. Association expenses include all executive, financial administration, information systems, personnel, public relations and building rents and maintenance expenses. Program costs consist entirely of amounts directly related to the operation of each program. Administration costs totaling \$320,465 and \$261,068 during 2008 and 2007, respectively, were remitted by these programs to "Association Activities" and have been reported as revenues for "Association Activities" and as expenses for "Program Activities."

Property and Equipment - Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated economic useful lives of the assets, ranging from three to fifteen years.

Income Tax Status - The Association has been determined to be exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. Although the Association was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." Such income, pursuant to the Internal Revenue Code and related regulations, includes income derived from advertisements in the monthly magazine. No provision for income taxes has been made in the accompanying financial statements as the direct and indirect costs associated with printing the magazine are greater than the advertising income derived.

**IOWA STATE ASSOCIATION OF COUNTIES**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** –  
continued

Estimates - 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - The Association considers all highly liquid debt instruments with an original maturity of three months or less, and monthly market funds held by brokerage firms to be cash equivalents.

Concentration of Credit Risk - The Association has bank deposits in excess of federally insured limits totaling approximately \$199,200 at June 30, 2008. This risk is managed by maintaining all deposits in high quality financial institutions. ETC bank deposits in excess of federally insured limits are covered 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 there will be no loss of public funds. The Association also has funds totaling approximately \$3,416,000 invested in money market accounts not insured by the FDIC; however, a financial institution has pledged assets against approximately \$453,000 of these deposits.

Unearned Revenue - Unearned revenue consists primarily of health insurance premiums by participating counties that are collected in the current fiscal year relating to the subsequent fiscal year.

Compensated Absences - Vacation earned, but unused, is recorded as a liability in the financial statements. The liability for these compensated absences is calculated using current rates of pay.

Royalty Income - The Association is a co-sponsor of the Iowa Public Agency Investment Trust and receives a royalty based upon a percentage of the Association members' deposits in the trust.

**NOTE B - INVESTMENTS**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are presented as a component of changes in net assets. Fair value is determined using market prices. Investments are comprised of the following:

	2008		
	Cost	Fair Value	Unrealized Gains (Losses)
Certificates of deposit	\$ 2,130,977	\$ 2,130,977	\$ -
Federal Home Loan Bank Notes and Debentures	6,565,234	6,581,235	16,001
Federal Home Loan Mortgage Corporation Notes	6,917,079	6,870,926	(46,153)
Federal National Mortgage Assn. Notes	4,585,947	4,553,940	(32,007)
Federal Farm Credit Bank Notes and Debentures	887,823	882,702	(5,121)
	\$ 21,087,060	\$ 21,019,780	\$ (67,280)

**IOWA STATE ASSOCIATION OF COUNTIES**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - INVESTMENTS** - continued

2007			
	Cost	Fair Value	Unrealized Gains (Losses)
Certificates of deposit	\$ 1,765,608	\$ 1,765,608	\$ -
U.S. Treasury Notes	494,522	496,450	1,928
Federal Home Loan Bank Notes and Debentures	10,010,903	10,013,910	3,007
Federal Home Loan Mortgage Corporation Notes	2,969,815	2,987,239	17,424
Federal National Mortgage Assn. Notes	4,120,490	4,123,603	3,113
Federal Farm Credit Bank Notes and Debentures	249,734	249,200	(534)
	\$ 19,611,072	\$ 19,636,010	\$ 24,938

The fair value of investments at June 30, 2008 by contractual maturity is shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2009	2010	2011	Total
Certificates of deposit	\$ 1,234,530	\$ 896,447	\$ -	\$ 2,130,977
Federal Home Loan Bank Notes and Debentures	1,513,410	4,569,945	497,880	6,581,235
Federal Home Loan Mortgage Corporation Notes	377,067	3,085,123	3,408,736	6,870,926
Federal National Mortgage Association Notes	662,105	-	3,891,835	4,553,940
Federal Farm Credit Bank Notes and Debentures	-	-	882,702	882,702
	\$ 3,787,112	\$ 8,551,515	\$ 8,681,153	\$ 21,019,780

Following is a summary of the Association's investment income:

	2008	2007
Interest income, net of investment fees of \$43,726 and \$38,485 for 2008 and 2007, respectively	\$ 1,019,660	\$ 905,114
Net realized and unrealized gains on investments	80,064	257,119
Net investment income	\$ 1,099,724	\$ 1,162,233

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Association's investment balances.

**IOWA STATE ASSOCIATION OF COUNTIES**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C - PROPERTY AND EQUIPMENT**

Following is a summary of property and equipment at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Leasehold improvements	\$ 85,493	\$ 85,493
Equipment	165,882	135,309
Computer software	295,941	45,871
	<u>547,316</u>	<u>266,673</u>
Less accumulated depreciation	<u>(233,128)</u>	<u>(206,585)</u>
	<u>\$ 314,188</u>	<u>\$ 60,088</u>

**NOTE D - LEASE COMMITMENTS**

The Association leases its office space under a long-term lease agreement. Following are the estimated annual future minimum lease payments, including estimated common area maintenance charges, under the office space lease:

<u>Year Ending June 30,</u>	
2009	132,648
2010	132,648
2011	88,432
Total future minimum lease payments	<u>\$ 353,728</u>

Office rent expense totaled \$134,177 and \$136,562 during 2008 and 2007, respectively.

**NOTE E - RETIREMENT PLAN**

The Association sponsors a 457(g) defined contribution retirement plan in which all employees are eligible to participate. Effective October 1, 2006, the Association implemented a 401(a) defined contribution retirement plan for employer contributions. Employer contributions to the 401(a) plan are equal to 5.75% of an employee's eligible compensation; however, the employee is required to contribute 2.5% of eligible wages to the 457(g) plan to qualify for the employer contribution. Employer contributions for the years ended June 30, 2008 and 2007 totaled \$53,498 and \$48,481, respectively.

**NOTE F - CONTINGENT LIABILITIES**

The Association administers a self-insured medical insurance program for member counties who elect to participate. The Association re-insures annual individual participant medical expenses in excess of \$100,000 through an agreement with an insurance carrier. The agreement, among other things, requires the carrier to cover all annual claims in excess of \$100,000 per participant and also aggregate annual claims in excess of 110% of the annual premium that would have been charged by the carrier had a similar insurance package been purchased directly from them. It is the Association's intention that the program will continue indefinitely and that the funds required to pay claims of the program participants would be limited to those available in the insurance fund. The Association does not record a separate liability for incurred but not reported (IBNR) claims. This liability is considered to be included in the Funds Held for the Benefit of Members' liability balance.

**IOWA STATE ASSOCIATION OF COUNTIES**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE F - CONTINGENT LIABILITIES** - continued

The IBNR liability at June 30, 2008 and 2007 was estimated by an actuary to be approximately \$2,556,000 and \$2,242,000, respectively. Due to uncertainties inherent in the estimations and assumptions process, pertaining to interest rates, healthcare inflation rates and employee demographics, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

The amount due from or to Wellmark, Inc., the third-party administrator of the program, results from the Association's cumulative transfer deposits to pay members' medical claims being more or less than the actual claims paid by Wellmark, Inc. at year-end.

**NOTE G - INTERGOVERNMENTAL RELATIONS EXPENDITURES**

The Association's intergovernmental relations expense, which includes expenses incurred by and salaries paid to legislative representatives and lobbyists of the Association, consisted of the following for the years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Salaries and other personnel costs	\$ 148,703	\$ 164,011
General operating expenses	31,872	36,261
Education/information expenses	16,669	17,687
Meetings, committees, and workshops	19,967	24,355
Property and equipment	5,526	5,949
	<u>\$ 222,737</u>	<u>\$ 248,263</u>

**NOTE H - RELATED PARTY TRANSACTIONS**

The Association provides County Case Management Services, County Rate Information Systems and Electronic Transactions Clearinghouse (entities formed under Iowa Code Chapter 28E) with management and administrative services. The organizations reimburse the Association periodically throughout the year for costs incurred by the Association to provide these services. Amounts billed to the other organizations by the Association and included in administration fees revenue totaled \$486,597 and \$524,900 for the years ended June 30, 2008 and 2007, respectively. The organizations owed ISAC \$96,517 and \$156,097 for these services at June 30, 2008 and 2007, respectively.

**NOTE I – GRANT REVENUE**

The Association received a grant in fiscal year 2008 that provides funding to create a central data system that ties together counties' community services systems and allows citizens online access to see what services are available.

**SUPPLEMENTAL INFORMATION**

**IOWA STATE ASSOCIATION OF COUNTIES**  
**COMBINING STATEMENT OF FINANCIAL POSITION -**  
**PROGRAM ACTIVITIES**  
**JUNE 30, 2008**

**ASSETS**

	Health Fund	AD&D Fund	Unemploy- ment Fund	Multi-County Service Agency Fund	Total
Cash and cash equivalents	\$ 3,321,732	\$ 50,404	\$ 191,652	\$ 9,630	\$ 3,573,418
Investments	18,201,649	-	1,694,789	-	19,896,438
Accounts receivable	-	5,203	89,061	-	94,264
Due from Wellmark	263,830	-	-	-	263,830
Interest receivable	182,968	-	19,009	-	201,977
<b>Total Assets</b>	<b>\$ 21,970,179</b>	<b>\$ 55,607</b>	<b>\$ 1,994,511</b>	<b>\$ 9,630</b>	<b>\$ 24,029,927</b>

**LIABILITIES AND NET ASSETS**

Accounts payable and accrued liabilities	\$ 7,335	\$ 19,985	\$ 40,145	\$ -	\$ 67,465
Funds held for the benefit of members	21,583,944	35,622	1,954,366	9,630	23,583,562
Unearned revenue	378,900	-	-	-	378,900
<b>Total Liabilities</b>	<b>21,970,179</b>	<b>55,607</b>	<b>1,994,511</b>	<b>9,630</b>	<b>24,029,927</b>
<b>NET ASSETS - Unrestricted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 21,970,179</b>	<b>\$ 55,607</b>	<b>\$ 1,994,511</b>	<b>\$ 9,630</b>	<b>\$ 24,029,927</b>



*Partners*

Michael E. Brinker, CPA  
David W. Hurst, CPA  
Kathleen A. Koenig, CPA  
Robert R. McGowen, CPA  
Michael W. McNichols, CPA  
Thomas J. Pflanz, CPA, CFP®  
John A. Schmidt, CPA  
Daniel A. Schwarz, CPA/ABV  
S. James Smith, CPA  
Joni M. Tonnemacher, CPA, CFD

**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**

To the Board of Directors of the  
Iowa State Association of Counties

We have audited the accompanying financial statements of the Iowa State Association of Counties (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 8, 2008. We conducted our audit in accordance with U.S generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also consider to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iowa State Association of Counties' 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 required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. 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.

This report, a public record by law, is intended solely for the information and use of the members and Board of Directors and management of Iowa State Association of Counties and other parties to whom the Association may report. The report is not intended to be and should not be used by anyone other than these specified parties

McGowan, Hurst, Clark & Smith, P.C.

West Des Moines, Iowa  
October 8, 2008