

**IOWA STATE ASSOCIATION OF COUNTIES**

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

**JUNE 30, 2009 AND 2008**

## C O N T E N T S

	<u>PAGE</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statement of Activities – Year ended June 30, 2009	3
Statement of Activities – Year ended June 30, 2008	4
Statements of Program Activities	5
Statements of Cash Flows	6
Notes to Financial Statements	7
Supplemental Information:	
Combining Statement of Financial Position - Program Activities	15
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 <i>Government Auditing Standards</i>	16



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**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, 2009 and 2008, 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, 2009 and 2008, 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 September 25, 2009 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, 2009, was made primarily to form an opinion on the consolidated financial statements taken as a whole. The supplemental information contained on page 15 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  
September 25, 2009

**IOWA STATE ASSOCIATION OF COUNTIES**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2009**

	Iowa State Association of Counties			Electronic Transactions Clearinghouse	ISAC Education Foundation	Eliminations	Total
	Association Activities	Program Activities	Total				
Cash and cash equivalents	\$ 101,980	\$ 890,170	\$ 992,150	\$ 119,523	\$ 24,697	\$ -	\$ 1,136,370
Investments	1,316,880	22,337,309	23,654,189	-	67,385	-	23,721,574
Accounts receivable	214,085	100,094	314,179	-	7,659	(130,042)	191,796
Prepaid expenses	20,523	-	20,523	-	-	-	20,523
Due from Wellmark	-	377,472	377,472	-	-	-	377,472
Interest receivable	7,865	179,936	187,801	-	-	-	187,801
Property and equipment, net of accumulated depreciation	769,346	-	769,346	47,372	-	-	816,718
<b>TOTAL ASSETS</b>	<b>\$ 2,430,679</b>	<b>\$23,884,981</b>	<b>\$ 26,315,660</b>	<b>\$ 166,895</b>	<b>\$ 99,741</b>	<b>\$ (130,042)</b>	<b>\$ 26,452,254</b>
Accounts payable and accrued liabilities	\$ 94,825	\$ 102,145	\$ 196,970	\$ 103,586	\$ 41,735	\$ (130,042)	\$ 212,249
Claims incurred but not reported	-	2,784,094	2,784,094	-	-	-	2,784,094
Unearned revenue	32,956	-	32,956	-	27,725	-	60,681
Compensated absences	66,754	-	66,754	-	-	-	66,754
Funds held for benefit of members	-	20,998,742	20,998,742	-	-	-	20,998,742
<b>TOTAL LIABILITIES</b>	<b>194,535</b>	<b>23,884,981</b>	<b>24,079,516</b>	<b>103,586</b>	<b>69,460</b>	<b>(130,042)</b>	<b>24,122,520</b>
<b>NET ASSETS - UNRESTRICTED</b>	<b>2,236,144</b>	<b>-</b>	<b>2,236,144</b>	<b>63,309</b>	<b>30,281</b>	<b>-</b>	<b>2,329,734</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,430,679</b>	<b>\$23,884,981</b>	<b>\$ 26,315,660</b>	<b>\$ 166,895</b>	<b>\$ 99,741</b>	<b>\$ (130,042)</b>	<b>\$ 26,452,254</b>

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

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

	Iowa State Association of Counties			Electronic Transactions Clearinghouse	ISAC Education Foundation	Eliminations	Total
	Association Activities	Program Activities	Total				
	Cash and cash equivalents	\$ 12,361	\$ 736,320				
Investments	1,339,306	22,733,536	24,072,842	-	59,838	-	24,132,680
Accounts receivable	142,824	94,264	237,088	3,531	2,800	(58,279)	185,140
Prepaid expenses	5,424	-	5,424	-	-	-	5,424
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	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
Claims incurred but not reported	-	2,556,103	2,556,103	-	-	-	2,556,103
Unearned revenue	38,230	378,900	417,130	1,536	-	-	418,666
Compensated absences	85,825	-	85,825	-	-	-	85,825
Funds held for benefit of members	-	21,027,459	21,027,459	-	-	-	21,027,459
<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>

**IOWA STATE ASSOCIATION OF COUNTIES**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2009**

REVENUE	Iowa State Association of Counties			
	Association Activities		Program	
	Budget	Actual	Activities	Total
Schools, workshops, committees & seminars	\$ 267,000	\$ 305,291	\$ -	\$ 305,291
Contributions	-	-	-	-
Grants	-	474,162	-	474,162
Dues	502,250	495,780	-	495,780
Program entry fees	-	-	-	-
Royalties	297,300	371,483	-	371,483
Investment income	55,000	64,457	1,035,402	1,099,859
Magazine advertising and subscriptions	53,000	50,259	-	50,259
Administration fees	890,254	905,427	-	905,427
County premiums	-	-	19,187,786	19,187,786
Special event revenue	-	-	-	-
Miscellaneous	-	6,781	-	6,781
<b>Total Revenues</b>	<b>2,064,804</b>	<b>2,673,640</b>	<b>20,223,188</b>	<b>22,896,828</b>
<b>EXPENSES</b>				
Salaries and fringe benefits	1,504,709	1,393,667	-	1,393,667
Schools, workshops and meetings	129,500	187,967	-	187,967
Board of Directors' meeting expenses	35,000	43,506	-	43,506
Other board authorized expense	5,000	1,500	-	1,500
NACO conference	20,000	9,531	-	9,531
Staff travel and training	65,000	40,325	-	40,325
Public relations	2,000	2,694	-	2,694
Consulting/professional services	20,200	26,466	-	26,466
Rents and utilities	182,380	186,299	-	186,299
Supplies, printing and postage	37,200	14,433	-	14,433
Computer supplies	5,000	-	-	-
Equipment rental and repair	5,500	-	-	-
Depreciation expense	-	24,621	-	24,621
Maintenance agreements	19,000	16,547	-	16,547
Professional membership	3,500	3,288	-	3,288
Library	10,000	8,285	-	8,285
Magazine	37,500	35,245	-	35,245
Insurance and bonds	25,000	20,470	-	20,470
Acquisition of property and equipment	35,000	-	-	-
Special event expense	-	-	-	-
Miscellaneous	2,500	16,765	7,635	24,400
Scholarships	-	-	-	-
Claims and premiums paid	-	-	19,648,658	19,648,658
Change in claims incurred but not reported	-	-	227,991	227,991
Administration	-	-	276,020	276,020
Wellness program	-	-	91,601	91,601
County technologies clearinghouse	20,000	9,073	-	9,073
Project management and development	-	-	-	-
<b>Total Expenses</b>	<b>2,163,989</b>	<b>2,040,682</b>	<b>20,251,905</b>	<b>22,292,587</b>
<b>INCREASE (DECREASE) IN FUNDS HELD FOR BENEFIT OF MEMBERS</b>	<b>-</b>	<b>-</b>	<b>\$ (28,717)</b>	<b>(28,717)</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ (99,185)</b>	<b>632,958</b>		<b>632,958</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>		<b>1,603,186</b>		<b>1,603,186</b>
<b>NET ASSETS, END OF YEAR</b>		<b>\$ 2,236,144</b>		<b>\$ 2,236,144</b>

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

Electronic Transactions Clearinghouse	ISAC Education Foundation	Eliminations	Total	Prior Year Total
\$ -	\$ -	\$ -	\$ 305,291	\$ 244,557
-	4,000	-	4,000	4,805
-	-	-	474,162	204,000
201,377	-	-	697,157	619,795
63,065	-	-	63,065	-
-	-	-	371,483	320,765
3,846	2,347	-	1,106,052	1,099,724
-	-	-	50,259	39,257
-	-	(1,135)	904,292	758,222
-	-	-	19,187,786	19,358,219
-	443	-	443	51,816
-	170	-	6,951	13,563
268,288	6,960	(1,135)	23,170,941	22,714,723
-	-	-	1,393,667	1,233,959
-	-	-	187,967	93,497
-	-	-	43,506	38,376
-	-	-	1,500	-
-	-	-	9,531	11,234
-	-	-	40,325	54,069
-	-	-	2,694	613
4,050	-	-	30,516	14,400
-	-	-	186,299	177,146
18,747	-	-	33,180	23,441
-	-	-	-	3,592
-	-	-	-	2,803
13,009	-	-	37,630	32,624
-	-	-	16,547	17,601
-	-	-	3,288	3,435
-	-	-	8,285	13,038
-	-	-	35,245	40,845
-	-	-	20,470	21,959
-	-	-	-	-
-	25	-	25	16,358
4,615	147	-	29,162	146,627
-	44,133	-	44,133	33,474
-	-	-	19,648,658	18,459,329
-	-	-	227,991	313,769
98,977	-	(1,135)	373,862	320,465
-	-	-	91,601	82,260
-	-	-	9,073	15,905
129,603	-	-	129,603	55,918
269,001	44,305	(1,135)	22,604,758	21,226,737
-	-	-	(28,717)	1,141,317
(713)	(37,345)	-	594,900	346,669
64,022	67,626	-	1,734,834	1,388,165
\$ 63,309	\$ 30,281	-	\$ 2,329,734	\$ 1,734,834

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

REVENUE	Iowa State Association of Counties			
	Association Activities		Program	
	Budget	Actual	Activities	Total
Schools, workshops, committees & seminars	\$ 242,500	\$ 244,557	\$ -	\$ 244,557
Contributions	-	-	4,500	4,500
Grants	-	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	762,656	-	762,656
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>2,129,635</b>	<b>20,386,713</b>	<b>22,516,348</b>
<b>EXPENSES</b>				
Salaries and fringe benefits	1,413,416	1,233,959	-	1,233,959
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	122,270	142,976
Scholarships	-	-	-	-
Claims and premiums paid	-	-	18,459,329	18,459,329
Change in claims incurred but not reported	-	-	313,769	313,769
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>1,811,712</b>	<b>19,245,396</b>	<b>21,057,108</b>
<b>INCREASE IN FUNDS HELD FOR BENEFIT OF MEMBERS</b>	<b>-</b>	<b>-</b>	<b>\$ 1,141,317</b>	<b>1,141,317</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
\$ -	\$ -	\$ -	\$ 244,557
-	305	-	4,805
-	-	-	204,000
132,320	-	-	619,795
-	-	-	320,765
2,956	3,212	-	1,099,724
-	-	-	39,257
-	-	(4,434)	758,222
-	-	-	19,358,219
-	51,816	-	51,816
12,200	-	-	13,563
<u>147,476</u>	<u>55,333</u>	<u>(4,434)</u>	<u>22,714,723</u>
-	-	-	1,233,959
-	-	-	93,497
-	-	-	38,376
-	-	-	-
-	-	-	11,234
-	-	-	54,069
-	-	-	613
-	-	-	14,400
-	-	-	177,146
1,320	-	-	23,441
-	-	-	3,592
-	-	-	2,803
6,211	-	-	32,624
-	-	-	17,601
-	-	-	3,435
-	-	-	13,038
-	-	-	40,845
-	-	-	21,959
-	-	-	-
-	16,358	-	16,358
1,837	1,814	-	146,627
-	33,474	-	33,474
-	-	-	18,459,329
-	-	-	313,769
57,131	-	(4,434)	320,465
-	-	-	82,260
-	-	-	15,905
<u>55,918</u>	<u>-</u>	<u>-</u>	<u>55,918</u>
<u>122,417</u>	<u>51,646</u>	<u>(4,434)</u>	<u>21,226,737</u>
-	-	-	1,141,317
25,059	3,687	-	346,669
38,963	63,939	-	1,388,165
<u>\$ 64,022</u>	<u>\$ 67,626</u>	<u>-</u>	<u>\$ 1,734,834</u>

**IOWA STATE ASSOCIATION OF COUNTIES**  
**STATEMENTS OF PROGRAM ACTIVITIES**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

**Year Ended June 30, 2009**

	Health Fund	AD&D Fund	Unemployment Fund
<b>REVENUE</b>			
Investment income	\$ 934,791	\$ 592	\$ 100,019
County premiums	18,817,555	116,832	253,399
<b>Total Revenues</b>	<b>19,752,346</b>	<b>117,424</b>	<b>353,418</b>
<b>EXPENSES</b>			
Miscellaneous	7,363	247	25
Scholarships	-	-	-
Claims and premiums paid	19,332,660	107,880	208,118
Change in claims incurred but not reported	227,991	-	-
Administration	251,812	8,860	15,348
Wellness program	91,601	-	-
Professional services	-	-	-
<b>Total Expenses</b>	<b>19,911,427</b>	<b>116,987</b>	<b>223,491</b>
<b>INCREASE (DECREASE) IN FUNDS HELD FOR BENEFIT OF MEMBERS</b>	<b>(159,081)</b>	<b>437</b>	<b>129,927</b>
<b>FUNDS HELD FOR BENEFIT OF MEMBERS - BEGINNING OF YEAR</b>	<b>19,027,841</b>	<b>35,622</b>	<b>1,954,366</b>
<b>FUNDS HELD FOR BENEFIT OF MEMBERS - END OF YEAR</b>	<b>\$ 18,868,760</b>	<b>\$ 36,059</b>	<b>\$ 2,084,293</b>

**Year Ended June 30, 2008**

	Health Fund	AD&D Fund	Unemployment Fund
<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>	<b>19,913,546</b>	<b>121,907</b>	<b>346,760</b>
<b>EXPENSES</b>			
Miscellaneous	-	437	121,833
Claims and premiums paid	18,144,350	111,719	203,260
Change in claims incurred but not reported	313,769	-	-
Administration	242,910	9,058	15,800
Wellness program	82,260	-	-
Professional services	-	-	-
<b>Total Expenses</b>	<b>18,783,289</b>	<b>121,214</b>	<b>340,893</b>
<b>INCREASE IN FUNDS HELD FOR BENEFIT OF MEMBERS</b>	<b>1,130,257</b>	<b>693</b>	<b>5,867</b>
<b>FUNDS HELD FOR BENEFIT OF MEMBERS - BEGINNING OF YEAR</b>	<b>17,897,584</b>	<b>34,929</b>	<b>1,948,499</b>
<b>FUNDS HELD FOR BENEFIT OF MEMBERS - END OF YEAR</b>	<b>\$ 19,027,841</b>	<b>\$ 35,622</b>	<b>\$ 1,954,366</b>

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

Multi-County Service Agency Fund	Total Program Activities
\$ -	\$ 1,035,402
-	19,187,786
-	<u>20,223,188</u>
-	7,635
-	-
-	19,648,658
-	227,991
-	276,020
-	91,601
-	-
-	<u>20,251,905</u>
-	(28,717)
<u>9,630</u>	<u>21,027,459</u>
<u>\$ 9,630</u>	<u>\$ 20,998,742</u>

Multi-County Service Agency Fund	Total Program Activities
\$ 4,500	\$ 4,500
-	1,023,994
-	19,358,219
<u>4,500</u>	<u>20,386,713</u>
-	122,270
-	18,459,329
-	313,769
-	267,768
-	82,260
-	-
-	<u>19,245,396</u>
4,500	1,141,317
<u>5,130</u>	<u>19,886,142</u>
<u>\$ 9,630</u>	<u>\$ 21,027,459</u>

**IOWA STATE ASSOCIATION OF COUNTIES**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 594,900	\$ 346,669
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	37,630	32,624
Realized and unrealized gains on investments	(301,438)	(80,064)
Change in:		
Accounts receivable	(49,423)	(285,635)
Prepaid expenses	(15,099)	(3,020)
Interest receivable	19,455	(15,566)
Accounts payable and accrued liabilities	(13,192)	(266,670)
Claims incurred but not reported	227,991	313,769
Funds held for benefit of members	(28,717)	1,141,317
Unearned revenue	(357,985)	(186,377)
Compensated absences	(19,071)	(32,058)
	<b>95,051</b>	<b>964,989</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment and software	(540,160)	(286,724)
Proceeds from maturities and sales of investments	18,277,005	23,747,150
Purchases of investments	(17,564,461)	(28,163,756)
	<b>172,384</b>	<b>(4,703,330)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>267,435</b>	<b>(3,738,341)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>868,935</b>	<b>4,607,276</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 1,136,370</b>	<b>\$ 868,935</b>

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 an electronic data interchange for Health Insurance Portability and Accountability Act (HIPAA) transactions for member Iowa counties. ETC 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 \$373,862 and \$320,465 during 2009 and 2008, 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.

**Fair Value Measurements** - The Association adopted FASB Statement of Financial Accounting Standards [SFAS] No. 157 on July 1, 2008 for fair value measurements of investments that are recognized and disclosed at fair value in the financial statements on a recurring basis. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

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

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

Fair Value Measurements (continued) - The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investments.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

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.

In June 2006, the FASB released FASB Interpretation [FIN] No. 48, entitled *Accounting for Uncertainty in Income Taxes*. FIN 48 interprets the guidance in SFAS No. 109, entitled *Accounting for Income Taxes*. When FIN 48 is implemented, reporting entities use different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008, the FASB Staff issued FASB Staff Position [FSP] FIN 48-3, entitled *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. As deferred by the guidance in FSP FIN 48-3, the Association is not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, the Association has not implemented those provisions in the 2008 financial statements.

Since the provisions of FIN 48 have not been implemented in accounting for uncertain tax positions, the Association continues to use its prior policy of accounting for these positions, following the guidance in SFAS No. 5, entitled *Accounting for Contingencies*. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of December 31, 2008, the Association has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

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.

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

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

**Cash and Cash Equivalents** - The Association considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

**Concentration of Credit Risk** - The Association and ETC has funds totaling approximately \$1,014,000 invested in money market accounts not insured by the FDIC. This risk is managed by maintaining all deposits in high quality financial institutions.

**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 endorses various organizations such as the Iowa Public Agency Investment Trust, Iowa Communities Assurance Pool, and the Iowa Municipal Workers' Compensation Association. The Association receives a royalty based upon a percentage of members' deposits in the endorsed companies.

**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. Investments are comprised of the following:

	2009		
	Cost	Fair Value	Unrealized Gains (Losses)
Money market accounts	\$ 1,646,378	\$ 1,646,378	\$ -
Certificates of deposit	1,385,504	1,385,504	-
U.S. Treasury Notes	6,554,510	6,724,772	170,263
Federal Home Loan Bank Notes and Debentures	6,667,534	6,717,305	49,770
Federal Home Loan Mortgage Corporation Notes	5,188,192	5,176,947	(11,245)
Federal National Mortgage Assn. Notes	1,185,014	1,155,440	(29,574)
Federal Farm Credit Bank Notes and Debentures	887,823	915,228	27,405
	\$ 23,514,955	\$ 23,721,574	\$ 206,619

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

**NOTE B – INVESTMENTS** - continued

2008			
	Cost	Fair Value	Unrealized Gains (Losses)
Money markets	\$ 3,112,900	\$ 3,112,900	\$ -
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)
	\$ 24,199,960	\$ 24,132,680	\$ (67,280)

The fair value of investments at June 30, 2009 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.

	2010	2011	2012	Total
Money market accounts	\$ 1,646,378	\$ -	\$ -	\$ 1,646,378
Certificates of deposit	960,466	335,683	89,355	1,385,504
U.S. Treasury Notes	-	5,223,941	1,500,831	6,724,772
Federal Home Loan Bank Notes and Debentures	4,550,345	2,166,960	-	6,717,305
Federal Home Loan Mortgage Corporation Notes	1,689,103	3,487,844	-	5,176,947
Federal National Mortgage Association Notes	103,650	1,051,790	-	1,155,440
Federal Farm Credit Bank Notes and Debentures	-	915,228	-	915,228
	\$ 8,949,942	\$ 13,181,446	\$ 1,590,186	\$ 23,721,574

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

**NOTE B - INVESTMENTS** - continued

The following table presents financial instruments that are measured at fair value on a recurring basis:

	Total	Level I Quoted Prices In Active Markets of Identical Assets	Level II Significant Observable Inputs	Level III Significant Unobservable Inputs
Money market accounts	\$ 1,646,378	\$ -	\$ 1,646,378	\$ -
Certificates of deposit	1,385,504	-	1,385,504	-
U.S Treasury Notes	6,724,772	6,724,772	-	-
Federal Home Loan Bank Notes and Debentures	6,717,305	6,717,305	-	-
Federal Home Loan Mortgage Corporation Notes	5,176,947	5,176,947	-	-
Federal National Mortgage Association Notes	1,155,440	1,155,440	-	-
Federal Farm Credit Bank Notes and Debentures	915,228	915,228	-	-
	<u>\$ 23,721,574</u>	<u>\$ 20,689,692</u>	<u>\$ 3,031,882</u>	<u>\$ -</u>

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

	2009	2008
Interest income, net of investment fees of \$44,329 and \$43,726 for 2009 and 2008, respectively	\$ 804,962	\$ 1,019,660
Net realized and unrealized gains on investments	301,090	80,064
Net investment income	<u>\$ 1,106,052</u>	<u>\$ 1,099,724</u>

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.

**NOTE C - PROPERTY AND EQUIPMENT**

Following is a summary of property and equipment at June 30, 2009 and 2008:

	2009	2008
Leasehold improvements	\$ 85,493	\$ 85,493
Equipment	218,242	165,882
Computer software	99,978	71,263
CSN computer software under development	683,156	224,678
	1,086,869	547,316
Less accumulated depreciation	(270,151)	(233,128)
	<u>\$ 816,718</u>	<u>\$ 314,188</u>

In accordance with U.S. generally accepted accounting principles, computer software under development is not yet being amortized.

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

**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>	
2010	132,648
2011	88,432
Total future minimum lease payments	<u>\$ 221,080</u>

Office rent expense totaled \$139,493 and \$134,177 during 2009 and 2008, respectively.

**NOTE E - RETIREMENT PLAN**

The Association sponsors a 457(g) defined contribution retirement plan in which all employees are eligible to participate. In addition, the Association also sponsors a 401(a) defined contribution retirement plan for employer contributions. Employer contributions to the 401(a) plan are equal to 6.35% of an employee's eligible compensation; however, the employee is required to contribute 2.9% of eligible wages to the 457(g) plan to qualify for the employer contribution. Employer contributions for the years ended June 30, 2009 and 2008 totaled \$79,837 and \$53,498, 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 liability for claims incurred but not reported (IBNR) at June 30, 2009 and 2008 was estimated by an actuary. 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.

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

**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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Salaries and other personnel costs	\$ 168,666	\$ 148,703
General operating expenses	37,159	31,872
Education/information expenses	33,234	16,669
Meetings, committees, and workshops	25,886	19,967
Property and equipment	-	5,526
	<u>\$ 264,945</u>	<u>\$ 222,737</u>

**NOTE H - RELATED PARTY TRANSACTIONS**

The Association provides County Case Management Services and County Rate Information Systems (entities formed under Iowa Code Chapter 28E) with management and administrative services. Administrative fees billed to the organizations totaled \$27,204 and \$34,662 for the years ended June 30, 2009 and 2008, respectively, and is included in administration fees revenue. The Association remits payments for costs incurred by the organizations and the organizations periodically reimburse the Association throughout the year for those costs. Amounts billed to the organizations by the Association and included in administration fees revenue totaled \$370,833 and \$394,804 for the years ended June 30, 2009 and 2008, respectively. The organizations owed the Association \$39,324 and \$38,238 for these services at June 30, 2009 and 2008, respectively.

**NOTE I - GRANT REVENUE**

During fiscal years 2008 and 2009, the Association received grant 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.

**NOTE J - BOARD DESIGNATED NET ASSETS**

The Organization's Board of Directors has designated \$506,539 of its net assets for future needs and special projects (a specific purpose has not yet been identified) and \$175,000 for future non-budgeted replacement of property and equipment.

**NOTE K - SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2009, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statement or disclosure is September 25, 2009, which is the date on which the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

**IOWA STATE ASSOCIATION OF COUNTIES**  
**COMBINING STATEMENT OF FINANCIAL POSITION -**  
**PROGRAM ACTIVITIES**  
**JUNE 30, 2009**

**ASSETS**

	Health Fund	AD&D Fund	Unemploy- ment Fund	Multi-County Service Agency Fund	Total
Cash and cash equivalents	\$ 854,100	\$ 10,233	\$ 16,207	\$ 9,630	\$ 890,170
Investments	20,289,555	35,417	2,012,337	-	22,337,309
Accounts receivable	-	9,730	90,364	-	100,094
Due from Wellmark	377,472	-	-	-	377,472
Interest receivable	160,949	-	18,987	-	179,936
<b>Total Assets</b>	<b>\$ 21,682,076</b>	<b>\$ 55,380</b>	<b>\$ 2,137,895</b>	<b>\$ 9,630</b>	<b>\$ 23,884,981</b>

**LIABILITIES AND NET ASSETS**

Accounts payable and accrued liabilities	\$ 29,222	\$ 19,321	\$ 53,602	\$ -	\$ 102,145
Claims incurred but not reported	2,784,094	-	-	-	2,784,094
Funds held for the benefit of members	18,868,760	36,059	2,084,293	9,630	20,998,742
<b>Total Liabilities</b>	<b>21,682,076</b>	<b>55,380</b>	<b>2,137,895</b>	<b>9,630</b>	<b>23,884,981</b>
<b>NET ASSETS - Unrestricted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 21,682,076</b>	<b>\$ 55,380</b>	<b>\$ 2,137,895</b>	<b>\$ 9,630</b>	<b>\$ 23,884,981</b>



*Partners*

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**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, 2009, and have issued our report thereon dated September 25, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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, 2009 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  
September 25, 2009