

**Iowa Land Records
Johnston, Iowa**

FINANCIAL REPORT

December 31, 2012

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3-4
Special-purpose statements of net assets	5
Special-purpose statements of activities	6
Notes to financial statements	7
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>	8-9



INDEPENDENT AUDITOR'S REPORT

To the Electronic Services System Coordinating Committee
Iowa Land Records
Johnston, Iowa

We have audited the accompanying financial statements of Iowa Land Records, which comprise the special-purpose statements of net assets as of December 31, 2012 and 2011, and the related special-purpose statements of activities for the years 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 the financial reporting requirements of the County Electronic Services System 28E Agreement. Management is also responsible for 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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 Iowa Land Records as of December 31, 2012 and 2011, and changes in its net assets for the years then ended, on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes that the financial statements are prepared to present the operations of the Iowa Land Records system pursuant to the 28E agreement described in Note 1, and is not intended to be a complete presentation of the financial statements of Iowa Land Records. Our opinion is not modified with respect to that matter.

Restriction on Use

This report, a public record by law, is intended solely for the information and use of the Electronic Services System Coordinating Committee, management of Iowa Land Records, members of the Iowa County Recorders Association and other parties to whom they report. This report is not intended to be used and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2013 on our consideration of Iowa Land Records' internal control over financial reporting and on 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* and should be considered in assessing the results of our audit.



DENMAN & COMPANY, LLP

West Des Moines, Iowa
July 14, 2013

**Iowa Land Records
SPECIAL-PURPOSE STATEMENTS OF NET ASSETS**

	December 31	
ASSETS	2012	2011
CURRENT ASSETS		
Cash	\$ 354,838	\$ 259,540
Accounts receivable	<u>51,367</u>	<u>4,261</u>
Total current assets	<u>406,205</u>	<u>263,801</u>
CAPITAL ASSETS		
Computer equipment	315,200	280,541
Accumulated depreciation	<u>(219,761)</u>	<u>(167,687)</u>
Total capital assets	<u>95,439</u>	<u>112,854</u>
Total assets	<u>501,644</u>	<u>376,655</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	-	9
Customer deposits	<u>13,608</u>	<u>4,055</u>
Total current liabilities	<u>13,608</u>	<u>4,064</u>
NET ASSETS		
Invested in capital assets, net of related debt	95,439	112,854
Unrestricted	<u>392,597</u>	<u>259,737</u>
Net assets	<u>\$ 488,036</u>	<u>\$ 372,591</u>

See Notes to Financial Statements.

**Iowa Land Records
SPECIAL-PURPOSE STATEMENTS OF ACTIVITIES**

	Year ended December 31	
	2012	2011
REVENUES		
Submitting fees	\$ 216,251	\$ 160,096
Recording fees	4,788,843	3,226,451
Local service maintenance fees	247,114	239,316
Credit card setup fees	1,200	1,234
Reimbursements from Fund 255	<u>416,389</u>	<u>414,776</u>
Total revenues	<u>5,669,797</u>	<u>4,041,873</u>
EXPENSES		
Payroll expense	316,206	293,916
Recording distributions	4,767,119	3,215,896
Local service maintenance distributions	247,896	273,222
Credit card setup distributions	1,385	798
Service charges	48,973	43,010
Depreciation	52,073	57,874
Project reimbursed expenses	<u>120,700</u>	<u>60,236</u>
Total expenses	<u>5,554,352</u>	<u>3,944,952</u>
INCREASE IN NET ASSETS	115,445	96,921
NET ASSETS , beginning of year	<u>372,591</u>	<u>275,670</u>
NET ASSETS , end of year	<u>\$ 488,036</u>	<u>\$ 372,591</u>

See Notes to Financial Statements.

Iowa Land Records
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Iowa Land Records (ILR) was formed as a result of legislation adopted by the Iowa General Assembly. ILR is managed under an agreement (County Electronic Services System 28E Agreement), as executed within the meaning of Iowa Code Chapter 28E, between Iowa's ninety-nine counties and Iowa County Records Association (ICRA). ILR was formed to facilitate the submitting of real estate and other legal documents electronically to Iowa County Recorders for official recording. The executed 28E agreement appoints ICRA with the authority to administer the operations of ILR.

Basis of Accounting

The financial statements include the financial activities administered by the ICRA and the Electronic Services System Coordinating Committee. They include all transactions of the Iowa Land Records treasury management account and capital asset account. The treasury management account is used as the central clearinghouse for receipt of payments to the ILR system and the distribution of funds to Iowa counties for recording and other services. The capital asset account includes the equipment used to host the Iowa Land Records web site.

The financial statements are prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of cash flows.

Use of Estimates

The preparation of schedules requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the schedules, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Computer Equipment

Computer equipment is stated at cost. Depreciation is computed using accelerated methods over their estimated useful lives.

Basis of Presentation

The Special-Purpose Statement of Net Assets presents the ILR's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Iowa Land Records had no restricted net assets at December 31, 2012 and 2011.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.



**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 Electronic Services System Coordinating Committee
Iowa Land Records
Johnston, Iowa

We have audited, 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, the financial statements of Iowa Land Records, which comprise the special-purpose statement of net assets as of December 31, 2012, and the related special-purpose statement of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Iowa Land Records' internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iowa Land Records' internal control. Accordingly, we do not express an opinion on the effectiveness of Iowa Land Records' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Land Records' 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*.

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 Iowa Land Records' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Iowa Land Records' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



DENMAN & COMPANY, LLP

West Des Moines, Iowa
July 14, 2013