



STATE OF IOWA

Fiscal Year 2010 IOWAccess Revolving Fund Annual Report

State of Iowa Fiscal Year 2010 IOWAccess Revolving Fund Annual Report



This report was produced in compliance with Iowa Code section 8A.224 to be submitted to the General Assembly not later than January 31, 2012. A copy of this publication has been filed in compliance with Iowa Code sections 8A.202 (e) and 305.10.

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IOWAccess Revolving Fund Fiscal Year 2010 Annual Report

The Department of Administrative Services is required to report on the activities funded and the expenditures made from the IOWAccess Revolving Fund. IOWAccess was created in 1998. This program continues to provide funds in support of initiatives to connect lowans with their government by utilizing the accessibility and technology of the Internet.

This report highlights the Fiscal Year 2010 accomplishments of IOWAccess. Certain services offered through IOWAccess charge a value-added fee. You will find a description of the IOWAccess business model and the processes, based on industry best practices, employed by IOWAccess to fund and monitor projects, along with a listing of projects funded during Fiscal Year 2010.

The Financial Section contains an Income Statement and Balance Sheet for Fiscal Year 2010 as well as a financial projection of the Fiscal Year 2011 budget.

Following is the applicable Iowa Code citation.

Iowa Code Section 8A.224 - IOWAccess revolving fund

“An IOWAccess revolving fund is created in the state treasury. The revolving fund shall be administered by the department and shall consist of moneys collected by the department as fees, moneys appropriated by the general assembly, and any other moneys obtained or accepted by the department for deposit in the revolving fund. The proceeds of the revolving fund are appropriated to and shall be used by the department to maintain, develop, operate, and expand IOWAccess consistent with this subchapter. The department shall submit an annual report not later than January 31 to the members of the general assembly and the legislative services agency of the activities funded by and expenditures made from the revolving fund during the preceding fiscal year. Section 8.33 does not apply to any moneys in the revolving fund and, notwithstanding section 12C.7 , subsection 2, earnings or interest on moneys deposited in the revolving fund shall be credited to the revolving fund.”

To seek IOWAccess funds the following guidelines apply:

- The request must be made by the State of Iowa, a county or local government agency
- The request must meet the mission of the government agency
- The request must provide a service to the citizens of Iowa
- The website/application must provide electronic access to government information or transactions whether federal, state or local
- The government agency can outsource management of the website to a non-profit organization, but the agency is ultimately responsible for the information contained therein.

Priority for improvements at state and local levels of government are:

- Improved and more widely accessible governmental services. Most citizens expect more for less in many of their consumer and business purchases - they have similar expectations for government services.
- Government's more efficient use of its resources.



- Providing easier and quicker access to information and more direct contact with officials in all branches of government through e-mail and web sites. There is a growing expectation for more, not less, of this interactive environment.

The funding for IOWAccess applications improves the availability, quality, use, and sharing of data; provides a unique source of funds for innovative e-Government programs; and is used as an adjunct to federal and state funding to improve the effectiveness of government programs, consistent with the goals of IOWAccess.

IOWAccess projects are recommended by the IOWAccess Advisory Council representing state government information technology. Project recommendations from this council are forwarded to the Director of the Department of Administrative Services, for final review and approval. This process is to ensure that IOWAccess efforts are targeted at relevant electronic government services.

IOWAccess Business Model

The purpose of **IOWAccess** is to create and provide a service to citizens of the state that will serve as a gateway for one-stop electronic access to governmental information, transactions and services at state, county or local levels. In this role the fund supports agency proposals for funding of such projects.

The Department of Administrative Services - Information Technology Enterprise contracts with Iowa Interactive, LLC, a wholly-owned subsidiary of NIC, Inc. to be the Network Manager.

The original Iowa Interactive agreements expired September 30, 2005. The State of Iowa competitively bid the contract for IOWAccess development and support services and Iowa Interactive was awarded the new contract effective April of 2006 for a five-year term, with an option for a one-year extension ending March 31, 2012.

Iowa Interactive provides enhanced access to Driver License Record Abstracts (DLR) as a service provided by IOWAccess. IOWAccess and Iowa Interactive share the \$3.00 value add service fee that is assessed to users who access electronic DLRs. This transaction revenue funds dozens of static and dynamic web services created for state agencies by Iowa Interactive at no cost to the agencies. Iowa Interactive is not paid with General Fund dollars. Instead, Iowa Interactive receives its revenue from their portion of the DLR transaction fees paid by the users of that service.



Selected State Government Accomplishments Using IOWAccess Funding

Department of Management - American Recovery and Reinvestment Act Project



Iowa's Economic Recovery

American Recovery and Reinvestment Act



Enable the State to administer Federal economic stimulus (ARRA) programs and funding sources in distributing those funds to county/local, tribal and private sector entities. This application enabled Data exchange with the Federal OMB, processing applications and providing citizens an accurate and flexible view of information regarding the commitment and expenditure of ARRA funds.

<http://www.iowa.gov/recovery/>

Department of Natural Resources - Special Events Registration



Provide one portal for applying to conduct “special events” in public properties applications and other state-managed areas. Also, provide notification of public events via on-line events calendar and searchable database. These special events include over 650 fishing tournaments, 300 to 500 ATV, Snow and Boating activities, multiple Dog Field Trials, Scouting events, fireworks displays, car shows, motorcycle poker runs, pancake feeds, equestrian events and trials, endurance challenges and marathons, “Geocaches” (electronic scavenger hunts using GPS devices) and many more activities.

<http://programs.iowadnr.gov/specialevents/>

Department of Veterans Affairs - Online Forms



Greatly improving the way veterans are able to apply for benefits and service by having an online application process. Providing the ability for our veterans to be able to apply online to IDVA for services such as the Veterans Trust Fund, Veterans Commemorative Property transactions, County Grant Program, Vietnam Bonus Program, Military Home Ownership Program and applications for other benefits and services.

<http://va.iowa.gov/eforms/default.aspx?cmd=Cemetery>



Selected State Government Accomplishments Developed in Partnership with Iowa Interactive Dept. of Inspections and Appeals - Boarding Home Registration



Iowa law requires that owners, operators or managers of boarding homes must register their buildings with the Iowa Department of Inspections and Appeals (DIA). An establishment is considered a boarding home if rooms are rented to three or more individuals who require supervision or need assistance with activities of daily living. A boarding home does not include facilities, homes or programs regulated by DIA, the Department of Human Services (DHS) or the Department of Public Health (DPH).

In addition to the initial registration, owners, operators or managers must file an annual occupancy report with DIA. This report includes such information as the number of tenants residing in the building and the type of supervision or assistance being provided to the tenants. Both the initial registration and the annual occupancy report may be filed with DIA via the online registration system, or by using a paper form available from the Department.

<https://boardinghomeregistration.iowa.gov/>

Dept. of Management Community Empowerment – First Years First Website



Early Childhood Iowa (ECI) was founded on the premise that communities and state government can work together to improve the well-being of our youngest children. ECI's efforts unite agencies, organizations and community partners to speak with a shared voice to support, strengthen and meet the needs of all young children and families.

It is believed that individuals in local communities working together can identify and implement the best means for attaining desired results. The role of the State is to be a partner to support and facilitate growth in community responsibility; not assume the directive role that the public has come to expect of government.

<http://www.earlychildhoodiowa.org/#>



ELECTRICAL LICENSING and INSPECTION PROGRAM

Integrity • Pride/Professionalism • Teamwork • Commitment • Service



The Fire Marshal Division of the Iowa Department of Public Safety is responsible for statewide electrical licensing and inspection. This responsibility was given to, and is overseen by, the Electrical Examining Board. One of the provisions of the law required state licensing of all electricians and electrical contractors. Several categories of electrical licenses have been established and thousands of electrical licenses have been issued since. License applications continue to be submitted daily as more individuals qualify for their specific license.

<http://www.dps.state.ia.us/fm/electrician/index.shtml>



IOWA Access Projects Developed by Agencies, including Fiscal Year 2010

Project	Funding Year	Amount Approved	Amount Spent	Balance
DHS - Food Stamps Web Intake - 2 - Execution	FY04	\$100,000	\$94,726	\$5,274
DPS - Criminal History Online - 2 - Execution	FY04	\$69,375	\$69,374	\$1
ITE - Small Project Reserve	FY05	\$175,000	\$115,937	\$59,063
Comm - ABD Licensing & Regulatory Documents Online - 1 - Planning	FY06	\$45,000	\$35,785	\$9,215
LOC - County Real Estate Electronic Government Advisory Committee Web Application - 2 - Implementation	FY07	\$215,120	\$207,819	\$7,301
DHS Single Online Application Process – 3 & 4 – Design and Implementation	FY07	\$200,000	\$139,978	\$60,022
DPS – Iowa Sex Offender Public Registry – 3 – Implementation	FY08	\$101,939	\$101,939	\$0
DNR - Field Office Compliance Database – 2 - Design and Implementation	FY08	\$240,000	\$234,409	\$5,591
Dynamic Data on the Web – 3 & 4 – Design and Implementation	FY08	\$490,000	\$472,258	\$17,742
IVCS - Volunteer Iowa – 1 – Scope Analysis	FY08	\$15,000	\$14,045	\$955
DNR - Animal Feeding Operations – 3 – Implementation	FY08	\$282,000	\$271,275	\$10,725
IDED - Business License Information Center (BLIC) – 3 - Execution	FY09	\$278,520	\$228,809	\$49,711
DNR - Hazardous Substance Incident Database – 3 - Execution	FY09	\$280,000	\$265,399	\$14,601
DOM - Local Gov Budgets & Reports – 3 - Execution	FY09	\$216,000	\$216,000	\$0
IGOV - OpenUp.Iowa - 3 - Execution	FY09	\$277,148	\$277,148	\$0
CSAC - Web Portal - 2 - Planning	FY09	\$148,000	\$147,991	\$9
Healthcare Provider Licensing Database - 3 - Execution	FY09	\$669,000	\$334,976	\$334,024
IDVA - Dynamic Forms - 2 - Planning	FY09	\$89,700	\$67,136	\$22,564
ICAB - ICAB Online - 3 - Execution	FY09	\$545,912	\$545,912	\$0
DHR - Weatherization Assistance Program - 4 - Hosting	FY09	\$6,500	\$2,641	\$3,859
DAS - American Recovery and Reinvestment Act (ARRA) Recovery Website - 1 & 2 - Scope Analysis and Planning	FY09	\$125,850	\$125,850	\$0
DAS - Transparency: Searchable Budget Database - 1 - Scope Analysis	FY09	\$30,000	\$24,399	\$5,601
ICSAC- College Student Aid Portal - 3 - Execution	FY09	\$350,000	\$349,982	\$18



DNR - Special Events - Execution	FY10	\$145,000	\$131,435	\$13,565
DNR - Special Events - Hosting	FY10	\$7,500	\$7,500	\$0
DOM - Local Government and Annual Report Database - Expansion to School Districts - Scope Analysis	FY10	\$30,000	\$29,987	\$13
ITE - Cyber Security Education and Awareness Training – Scope	FY10	\$20,000	\$15,334	\$4,666
LSA - Iowa Code and Rules Easy Navigation and Search – Planning	FY10	\$46,000	\$42,900	\$3,100
GSE - Vertical Infrastructure Program – Scope Analysis	FY10	\$30,000	\$4,565	\$25,435
SHSI - Museum content Management System - Full Project	FY10	\$20,235	\$5,794	\$14,441
ITE - ARRA Project Phase 2 - Execution	FY10	\$290,313	\$290,313	\$0
DVA - Forms Execution	FY10	\$96,276	\$18,391	\$77,885
DVA - Dynamic Forms - Hosting	FY10	\$3,600	\$0	\$3,600
LSA - Iowa Code and Rules Easy Navigation and Search - Execution	FY10	\$325,000	\$226,785	\$98,215
ITE - Enterprise Licensing System-1-Scope Analysis	FY10	\$35,000	\$0	\$35,000
ITE- CyberSecurity Education and Awareness Training-2&3- Design & Implementation	FY10	\$80,000	\$0	\$80,000
CSAC - College Student Aid Portal Administrative Web Application and Enhancements-1-Scope Analysis	FY10	\$30,000	\$29,081	\$919
CSAC - Iowa College Aid Consolidated Admin Apps/Databases and Enhancements - Planning	FY10	\$189,231	\$40,256	\$148,975
IWD - Workers' Compensation PERFECT System - Implementation	FY10	\$25,000	\$0	\$25,000
Totals		\$6,323,219	\$5,186,129	\$1,137,090



IOWAccess Projects FY'10 Completed in Partnership with Iowa Interactive Released to "Live"
(Also see Appendix 1)

Development Category	Project	Agency
Dynamic Sites	BID Opportunities Change Requests for Contracts (Enhancement Request 60-1)	Dept. of Administrative Services / Dept. of Human Services
Dynamic Sites	Boarding Home Application	Dept. of Inspections and Appeals
Dynamic Sites	Boarding Home Registration Application Change Request 66-1	Dept. of Inspections and Appeals
Dynamic Sites	Change Request 44.1 Iowa.gov Redesign 2009-Visitors	IOWAccess
Dynamic Sites	Secretary of State Election Results Change Request (Enhancement Request 18-1)	Secretary of State
Static Sites	First Years First Static Website	Community Empowerment - Dept. of Management
Static Sites	Iowa Collaboration for Youth Development Website Redesign	Criminal & Juvenile Justice Planning
Static Sites	Governor's Website Redesign (2009)	Governor's Office
Static Sites	Iowa Board of Regents Static Website Redesign (2009)	Iowa Board of Regents
Static Sites	Dept. of Human Rights - Deaf Services Website Redesign	Iowa Dept. of Human Rights
Static Sites	Early Childhood Iowa - Professional Development Static Sub Site	Iowa Dept. of Public Health
Static Sites	Iowa Insurance Division - Office of Consumer Advocacy Static Website	Iowa Insurance Division
Static Sites	Employers Disability Resource Network	Iowa Vocational Rehabilitation Services
Static Sites	Office of Drug Control Policy Static Website	Office of Drug Control Policy
Static Sites	The Iowa Clean Cities Coalition Static Web Site Creation	Office of Energy Independence
Transaction based	License Renewal Plumbers/Mechanical Contractors	Dept. of Public Health
Transaction based	License Renewal Plumbers/Mechanical Contractors Change Requests (Enhancements Change Request 34-3)	Dept. of Public Health
Transaction based	Electrical Licensing	Dept. of Public Safety
Transaction based	Electrical Licensing PCR 48.2	Dept. of Public Safety
Transaction based	Electrical Permits and Inspections	Dept. of Public Safety
Transaction based	License Renewal Electrician	Dept. of Public Safety
Transaction based	Iowa Parks Shelters, Lodges, Cabins, and Campgrounds	Dept. of Natural Resources
Transaction based	Iowa Parks Shelters, Lodges, Cabins, and Campgrounds (Change Request 3-2)	Dept. of Natural Resources
Transaction based	Iowa Parks Shelters, Lodges, Cabins, and Campgrounds (Enhancements 3-3)	Dept. of Natural Resources
Transaction based	Iowa Bureau of Professional Licensure (Enhancements Change Request 10-5)	Iowa Bureau of Professional Licensure

Detailed financial information at the project level to include expenditures, revenues and staff hours for all IOWAccess funded efforts can be provided upon request.

IOWAccess Value-Added Fees Approved in Fiscal Year 2010 and Applicable Iowa Code citations

Iowa Code section 8A.201 (6) provides a definition of value-added services. The IOWAccess Advisory Council is authorized to recommend rates to be charged for value-added services performed through IOWAccess. The term “value-added fee” is used by the Information Technology Enterprise within DAS to refer to those rates.

8A.201 (6): *“Value-added services means services that offer or provide unique, special, or enhanced value, benefits, or features to the customer or user including, but not limited to, services in which information technology is specially designed, modified, or adapted to meet the special or requested needs of the user or customer; services involving the delivery, provision, or transmission of information or data that require or involve additional processing, formatting, enhancement, compilation or security; services that provide the customer or user with enhanced accessibility, security or convenience; research and development services; and services that are provided to support technological or statutory requirements imposed on participating agencies and other governmental entities, businesses, and the public.”*

Pursuant to code section 8A.204, during Fiscal Year 2010, no value-added fees were proposed.

IOWAccess Project Process

The IOWAccess revolving fund was established for the purpose of maintaining, developing, operating, and expanding IOWAccess. Consistent with these duties and requirements, the Department of Administrative Services - Information Technology Enterprise has established a process for governmental entities to request funding for the planning and execution of various e-Government projects. The process is based on information technology project management best practices, to assess the relative merits of the projects submitted and make recommendations for funding projects to the Director of the Department of Administrative Services.

Figure 1. IOWAccess Project Lifecycle



Phase 1 - Initiation - This requires the investment of a small amount of resources, resulting in a reliable estimate of the cost of gathering and documenting detailed requirements. The deliverables from this phase include a concept paper generally describing the e-Government process or application and a cost estimate for completion of the planning phase.

Phase 2 - Scope Planning - The goal of the Scope Planning phase is to develop accurate cost estimates and well-defined deliverables for the e-Government process or application. The Scope Planning phase documents detailed customer business requirements presented in an array of



documentation. Finally, a Return on Investment analysis must be completed using the State of Iowa's award-winning ROI Process. Governmental entities can request funding from IOWAccess for up to 100% of the scope planning phase costs. IOWAccess involvement in the project terminates at conclusion of Scope Planning phase if Design funding is not sought or approved. The agency has access to the deliverables from the Scope Planning process and can proceed using funding sources other than IOWAccess.

Phase 3 - Design - The Design phase requires the preparation of a draft service level agreement between the owner of the application and the service provider in order to provide an accurate estimate of ongoing operational costs. It also provides statements of work and a completion timeline for the application. Another portion of the Return on Investment analysis is submitted which supports the request for Design funding.

Phase 4 - Execution - This phase is the actual implementation and roll-out of the project and includes:

- Application programming and testing
- Creation of the final Service Level Agreement
- Development of an operational budget including ongoing hosting and maintenance costs.

IOWAccess Phase 4 funding can be used for the application programming, testing, and migration of the completed application to a production environment. Consideration of web hosting fees for the application may be considered in the Phase 4 funding.



Following are the financial summaries for the IOWAccess Revolving. The financial information reported by the State of Iowa's partner, Iowa Interactive, can be found in Appendix 1. The State's report is completed on a fiscal year basis and the vendor's report is completed on a calendar basis. The Iowa Interactive Annual Report for January 2009 - December 2009 can be found at: http://iowaccess.iowa.gov/meetings_archive/files/minutes_agendas/2010/II%202009%20Annual%20Report.pdf This report was provided by Iowa Interactive and does not represent the position of the State of Iowa. The state does not sign-off on or amend such vendor supplied reports.

Statement of Changes in Net Assets (Income Statement)	
As of June 30, 2010	
Resources:	
Appropriation	\$1,000,000
Interest Income	\$21,770
Fees-DMVR	\$3,593,706
Total Revenues	\$4,615,476
Expenditures:	
Travel, IOWAccess Advisory Council	\$553
Travel, Other	\$0
Services, Outside ITE	\$1,736,961
ITE Support Costs for IOWAccess	
Internet Connections/Communication Costs	\$0
Applications Development & Infrastructure Support	\$355,803
Recovery of cost for IOWAccess Manager	\$208,323
Data processing - sw & hw / license fees & maintenance	\$63
Expenses, Other	\$369
IAC Projects:	
Expenditures on projects approved prior to FY2006	\$13,630
Expenditures on projects approved during FY2006	\$12,653
Expenditures on projects approved during FY2007	\$4,456
Expenditures on projects approved during FY2008	\$265,190
Expenditures on projects approved during FY2009	\$1,565,629
Expenditures on projects approved during FY2010	\$762,371
Total Expenditures:	\$4,926,002
Increase (decrease) in Net Assets	-\$310,525
Net Assets beginning of Year	\$2,104,476
Net Assets, current	\$1,793,950



STATEMENT OF NET ASSETS (BALANCE SHEET)

June 2010

Assets:	
Cash	\$1,975,030
Accrued Appropriation	\$0
Accrued Receivables	\$26,845
	\$2,001,875
Liabilities:	
Accrued Payables	\$207,925
Net Assets:	
	\$1,793,950
Approved project obligations remaining	
	\$1,295,917
Remaining unobligated cash	
	\$498,033

Fiscal Year 2011 IOWAccess Budget Projection

FY 2011 BUDGETED FINANCIAL SUMMARY

Resources:	
Transfers, DOT	\$1,000,000
Interest Income - Fund 0297	\$40,000
IMVR Receipts	\$3,351,724
Total Resources	\$4,391,724
Expenditures:	
Travel, In-State	\$1,700
Communications	
Transfers, Intra-State	\$2,770,024
Reimbursements, ITE	
Services, Outside IT	\$1,620,000
Equipment, IT & SW	
Other Expenses and Obligations	
Total Expenditures	\$4,391,724



Appendix 1

Iowa Interactive, LLC
Financial Statements
December 31, 2010 and 2009



Iowa Interactive, LLC
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December 31, 2010 and 2009

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Report of Independent Auditors

To the Board of Directors of
Iowa Interactive, LLC

In our opinion, the accompanying balance sheets and the related statements of income, of changes in member's equity and of cash flows present fairly, in all material respects, the financial position of Iowa Interactive, LLC (the "Company") at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.



December 22, 2011



Iowa Interactive, LLC
Balance Sheets
December 31, 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash	\$ 250,477	\$ 228,320
Trade accounts receivable	183,473	190,810
Prepaid expenses	6,948	8,785
Deferred income taxes	16,238	13,370
Total current assets	<u>457,136</u>	<u>441,285</u>
Property and equipment, net	47,092	76,933
Total assets	<u>\$ 504,228</u>	<u>\$ 518,218</u>
Liabilities and Member's Equity		
Current liabilities		
Accounts payable	\$ 5,068	\$ 2,821
Accrued expenses	74,077	67,813
Due to affiliated companies	-	38,003
Total current liabilities	<u>79,145</u>	<u>108,637</u>
Deferred income taxes, net	1,744	3,540
Other long-term liabilities (Notes 2 and 5)	7,201	12,246
Total liabilities	<u>88,090</u>	<u>124,423</u>
Commitments and contingencies (Notes 2 and 6)	-	-
Member's equity		
Member's equity, 100 units outstanding	100	100
Accumulated earnings	544,553	393,695
Due from affiliated companies	(128,515)	-
Total member's equity	<u>416,138</u>	<u>393,795</u>
Total liabilities and member's equity	<u>\$ 504,228</u>	<u>\$ 518,218</u>

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



Iowa Interactive, LLC
Statements of Income
Years Ended December 31, 2010 and 2009

	2010	2009
Revenues	\$ 3,043,486	\$ 3,191,889
Cost of portal revenues (Notes 2, 7 and 8)	2,830,427	2,773,704
Operating income	<u>213,059</u>	<u>418,185</u>
Interest income	-	14
Loss on disposal of property and equipment	<u>(545)</u>	<u>-</u>
Income before income taxes	212,514	418,199
Income tax expense (benefit)		
Current	82,571	180,173
Deferred	<u>(20,915)</u>	<u>(13,478)</u>
Net income	<u>\$ 150,858</u>	<u>\$ 251,504</u>

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



Iowa Interactive, LLC
Statements of Changes in Member's Equity
Years Ended December 31, 2010 and 2009

	<u>Member's Equity</u>		<u>Accumulated Earnings</u>	<u>Due From Affiliated Companies</u>	<u>Total</u>
	<u>Units</u>	<u>Amount</u>			
Balances at January 1, 2009	100	\$ 100	\$ 142,191	\$ -	\$ 142,291
Net income	-	-	251,504	-	251,504
Balances at December 31, 2009	100	100	393,695	-	393,795
Increase in due from affiliated companies (Note 7)	-	-	-	(128,515)	(128,515)
Net income	-	-	150,858	-	150,858
Balances at December 31, 2010	100	\$ 100	\$ 544,553	\$ (128,515)	\$ 416,138

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



Iowa Interactive, LLC
Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Net income	\$ 150,858	\$ 251,504
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	35,346	44,637
Loss on disposal of property and equipment	545	-
Deferred income taxes	(20,915)	(13,478)
Changes in operating assets and liabilities:		
(Increase) decrease in trade accounts receivable	7,337	(24,281)
(Increase) decrease in prepaid expenses	1,837	(1,440)
Increase (decrease) in accounts payable	2,247	(548)
Increase in accrued expenses	6,264	7,754
(Decrease) in other long-term liabilities	(5,045)	(12,294)
Net cash provided by operating activities	<u>178,474</u>	<u>251,854</u>
Cash flows from investing activities		
Purchases of property and equipment	(6,050)	(20,561)
Payments to affiliated companies, net	<u>(112,264)</u>	<u>-</u>
Net cash used in investing activities	<u>(118,314)</u>	<u>(20,561)</u>
Cash flows from financing activities		
Payments to affiliated companies, net	<u>(38,003)</u>	<u>(256,165)</u>
Net cash used in financing activities	<u>(38,003)</u>	<u>(256,165)</u>
Net increase (decrease) in cash	22,157	(24,872)
Cash		
Beginning of year	<u>228,320</u>	<u>253,192</u>
End of year	<u>\$ 250,477</u>	<u>\$ 228,320</u>

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



Iowa Interactive, LLC

Notes to Financial Statements

December 31, 2010 and 2009

1. The Company and Basis of Presentation

Iowa Interactive, LLC, formerly Iowa Interactive, Inc. (the "Company"), was incorporated on November 19, 1997 for the purpose of operating as a provider of electronic government services for the public information portal of the state of Iowa (the "State"). The Company operates the public information portal to allow businesses and citizens to complete transactions and obtain government information via the Internet. The Company is a wholly owned subsidiary of NICUSA, Inc. ("NICUSA"). NICUSA is a wholly owned subsidiary of NIC Inc. ("NIC").

In April 1998, the Company entered into a five-year contract with the State to provide web content development and other services for the State's government portal, Iowa.gov. Under the contract, the Company funded initial development and ongoing operational costs of the portal. The current contract runs through September 30, 2012. Revenues under this contract were approximately \$1,961,000 and \$2,252,000, respectively, for the years ended December 31, 2010 and 2009.

In October 2006, the Company entered into a contract with the Polk County, Iowa Treasurer ("PCT") to serve as the integrated public access portal manager to establish, operate and maintain a portal for the purposes of providing electronic access to information and electronic transactions with the PCT and other Iowa county treasurers. The Company is responsible for the development and ongoing operating costs of the portal and is paid by the PCT from transaction-based fees generated from users of the portal, primarily for payments of property taxes and renewals of motor vehicle licenses. This contract expires on December 31, 2011 and the PCT has elected to have the Company continue to provide transition services under this contract on a month-to-month basis for a period of up to six months. Revenues under this contract were approximately \$1,082,000 and \$940,000, respectively, for the years ended December 31, 2010 and 2009.

Basis of Presentation

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

2. Summary of Significant Accounting Policies

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statements of income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

The Company periodically evaluates the carrying value of property and equipment to be held and used when events and circumstances warrant such a review. The assets are reviewed in total, since the uses of certain assets are provided free of charge for the benefit of the State's portal. The carrying value of property and equipment is considered impaired when the anticipated undiscounted cash flows from the assets are less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the assets. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on assets to be disposed of are determined in a similar manner, except that fair values are reduced for the cost to dispose. The Company did not record any impairment losses on property and equipment during 2010 or 2009. There is considerable judgment necessary to determine future cash flows and, accordingly, actual results could vary significantly from such fair value estimates.



Iowa Interactive, LLC

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Revenue Recognition

In connection with revenues generated under the contract with the State, the Company recognizes revenues from the State on a per transaction basis when the services are provided. In connection with revenues generated under the contract with PCT, the Company recognizes transaction-based revenues net of the transaction fees due to the government when the services are provided.

Cost of Portal Revenues

The Company expenses as incurred the employee costs to develop, operate and maintain the government portals as cost of portal revenues in the statements of income. Cost of portal revenues includes all direct costs associated with operating the portals on an outsourced basis including employee compensation (including stock-based compensation), telecommunications, data processing, bank fees, fees required to process credit card and automated clearinghouse transactions, maintenance and all other costs associated with the provision of dedicated client service such as office facilities.

Stock-Based Compensation

The Company measures stock-based compensation cost at the grant date, based on the calculated fair value of the award, and recognizes an expense over the employees' requisite service period (generally the vesting period of the grant). The Company estimates compensation cost related to awards not expected to vest.

Eligible employees of the Company participate in NIC's stock option and restricted stock plan and stock purchase plan. For the years ended December 31, 2010 and 2009, the Company recognized approximately \$42,000 and \$29,000, respectively, in stock-based compensation expense, which has been included in cost of portal revenues in the Company's statements of income.

Income Taxes

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end based on enacted laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. NIC, along with its subsidiaries, files a consolidated federal income tax return. The provision for income taxes is generally allocated to the Company under the separate return method; however, when the Company generates losses or credits, it is given benefit for such losses or credits as they are used by other members of the consolidated group.

The Company does not recognize a tax benefit for uncertain tax positions unless management's assessment concludes that it is "more likely than not" that the position is sustainable, based on its technical merits. If the recognition threshold is met, the Company recognizes a tax benefit based upon the largest amount of the tax benefit that is greater than 50 percent likely to be realized. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense in the statements of income. See Note 5 for additional information regarding the Company's liability for unrecognized tax benefits at the balance sheet dates.

Fair Value of Financial Instruments

The carrying value of the Company's accounts receivable and accounts payable approximate fair value.



Iowa Interactive, LLC

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Indemnification

Under the Company's contracts with both the State and PCT, the Company has agreed to fully indemnify the State and PCT against third party claims that the Company's services infringe upon the intellectual property rights of others and against claims arising from the Company's performance or the performance of the Company's subcontractors under the contract. The Company has not experienced such claims. Accordingly, the Company had not accrued any liability on the aforementioned indemnification obligations at the balance sheet dates.

Use of Estimates

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

Recent Accounting Pronouncements

In 2009, the FASB issued authoritative accounting guidance which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Although there is new terminology, the standard is based on the same principles as those that previously existed in the auditing standards. The guidance was adopted by the Company during the year ended December 31, 2009. The Company has performed an evaluation of subsequent events through December 22, 2011.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and accounts receivable. The Company limits its exposure to credit loss by depositing its cash with high credit quality financial institutions and monitoring the financial stability of those institutions. During November 2010, the Federal Deposit Insurance Corporation ("FDIC") adopted a final rule to implement Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which provides temporary unlimited deposit insurance coverage for noninterest bearing commercial checking accounts at all FDIC-insured depository institutions effective December 31, 2010 through December 31, 2012. At December 31, 2010, the Company's cash was held entirely in domestic noninterest bearing commercial checking accounts. The Company performs ongoing credit evaluations of its customers and generally requires no collateral to secure accounts receivable. Due to the high credit worthiness of the Company's customers, the Company considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded. The Company has not experienced any significant credit losses for the periods reported.

The highest volume, most commercially valuable service the Company offers is access to driver history records (referred to as DMV) through the portal. This service accounted for approximately 55% and 58% of the Company's revenue in 2010 and 2009, respectively. All DMV revenues generated by the Company are billed to the State. At December 31, 2010 and 2009, 91% and 93%, respectively, of the Company's trade accounts receivable were from the State.



Iowa Interactive, LLC
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4. Property and Equipment

Property and equipment consisted of the following:

	2010	2009	Useful Lives
Furniture and fixtures	\$ 92,345	\$ 92,345	8 years
Equipment	130,276	131,195	3–5 years
Purchased software	24,481	35,078	3 years
			Lesser of 5 years
Leasehold improvements	<u>18,779</u>	<u>18,779</u>	or term of lease
	265,881	277,397	
Less: Accumulated depreciation	<u>(218,789)</u>	<u>(200,464)</u>	
	<u>\$ 47,092</u>	<u>\$ 76,933</u>	

Depreciation expense for the years ended December 31, 2010 and 2009 was \$35,346 and \$44,637, respectively.

5. Income Taxes

At December 31, 2010 and 2009, deferred tax assets and liabilities resulted primarily from differences between book and tax depreciation, stock-based compensation, and accrued but unused employee vacation expense. Management believes NIC's consolidated taxable income in the future will more likely than not be sufficient to utilize the Company's net deferred tax asset.

A reconciliation of the beginning and ending amount of the liability for unrecognized income tax benefits (included in other long-term liabilities in the balance sheets) for the years ended December 31, 2010 and 2009 is as follows:

	2010	2009
Balance at beginning of year	\$ 12,246	\$ 24,540
Additions for tax positions of prior years	4,092	48
Additions for tax positions of current year	3,109	-
Expiration of the statute of limitations	<u>(12,246)</u>	<u>(12,342)</u>
Balance at end of year	<u>\$ 7,201</u>	<u>\$ 12,246</u>

It is expected that the amount of unrecognized tax benefits will change in the next 12 months. However, the Company does not expect the change to have a significant impact on its results of operations or financial condition.

The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of income tax expense in the statements of income. At December 31, 2010 and 2009, accrued interest and penalty amounts were not material.

State income tax returns are generally subject to examination for a period of three to five years after filing of the respective return.



Iowa Interactive, LLC

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6. Operating Leases

The Company leases its office space and certain equipment under noncancelable operating leases. The future minimum lease payments under all noncancelable operating leases at December 31, 2010 are as follows:

Fiscal year	
2011	\$ 39,702
	<u>\$ 39,702</u>

Base rent expense for the years ended December 31, 2010 and 2009 was approximately \$47,000 and \$50,000, respectively.

During November 2011, the Company extended its operating lease for office space for an additional six-month term through June 30, 2012. Rent payments during this extension total approximately \$20,000.

7. Related Party Transactions

Amounts due from affiliated companies at December 31, 2010 consist primarily of cash that is advanced to affiliates and that is reduced by the payment of taxes and operating expenses paid by the affiliates on behalf of the Company. Management believes that the receivable from affiliates will likely not be settled in the ordinary course of business and, as a result, has classified the receivable from affiliates as contra-equity within member's equity on the balance sheet at December 31, 2010. At December 31, 2009, the balance due to affiliated companies was \$38,003.

The Company receives certain general and administrative services from NIC and its affiliates. Such services are performed on a centralized basis, benefit all affiliates and include, among others, executive and operations management, technical consultation, human resource management, information technology, security, legal, accounting support and payroll processing. NIC charges the Company for such services based on an allocation methodology which NIC management believes fairly allocates amounts based on benefits received. In 2010 and 2009, the Company recognized approximately \$804,000 and \$813,000, respectively, in expense related to these services, which is included in cost of portal revenues in the statements of income.

The Company's ultimate parent company, NIC Inc., maintains an unsecured revolving credit agreement, which is available to finance working capital, issue letters of credit, and finance general corporate purposes. The Company has guaranteed the obligations of NIC Inc. in connection with this credit agreement.

8. Employee Benefit Plans

The Company, in conjunction with affiliated companies, sponsors a defined contribution 401(k) profit sharing plan. In accordance with the plan, all full-time employees are eligible immediately upon employment. A discretionary match of up to 5% of an employee's salary and a discretionary contribution may be made to the plan as determined by NIC's Board of Directors. Expense related to Company matching contribution totaled approximately \$30,000 and \$27,000 for the years ended December 31, 2010 and 2009, respectively. No discretionary contributions were made for the years ended December 31, 2010 and 2009.

Eligible employees of the Company also participate in NIC's employee stock option and restricted stock plan and stock purchase plan (Note 2).

END OF REPORT