

IOWA COUNTY ENGINEERS ASSOCIATION
SERVICE BUREAU

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2007 AND 2006

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IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU
OFFICIALS
AS OF JUNE 30, 2007

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Gary Mauer	Chairperson	Grundy County
Stephen Reitz	Vice Chairperson	Wright County
Mike McClain	Member	Jones County
Keith While	Alternate	Muscatine County
Larry Vest	Alternate	Tama County
Steve Struble	Member	O'Brien County
Steve Michael	Alternate	Lyon County
Chuck Rieken	Member	Cass County
John Rasmussen	Alternate	Pottawattamie County
Todde Folkerts	Member	Lucas County
Max Proctor	Alternate	Davis County
Donna Smith	Member	Dubuque County
Robert Fangmann	Alternate	Cedar County
David Paulson	Ex-Officio	Carroll County



Partners

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Iowa County Engineers Association Service Bureau

We have audited the accompanying statements of assets, liabilities and net assets – modified cash basis of Iowa County Engineers Association Service Bureau as of June 30, 2007 and 2006, and the related statements of revenue, expenses and changes in net assets – modified cash basis for the years then ended. These financial statements are the responsibility of the Service Bureau'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.

As described in Note A, these financial statements were prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Iowa County Engineers Association Service Bureau as of June 30, 2007 and 2006, and its revenue and expenses for the years then ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2007, on our consideration of the Iowa County Engineers Association Service Bureau's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and 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 in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

McGowen, Hurst, Clark + Smith, P.C.

West Des Moines, Iowa
October 8, 2007

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and the American Institute of Certified Public Accountants

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IOWA COUNTY ENGINEER'S ASSOCIATION SERVICE BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS

Iowa County Engineers Association Service Bureau provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the Service Bureau's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Service Bureau's operating revenues decreased 0.2%, or \$718, from fiscal 2006 to fiscal 2007.
- The Service Bureau's operating expenses were 0.1%, or \$275, less in fiscal 2007 than in fiscal 2006.
- The Service Bureau's net assets increased 4.5%, or \$12,561, from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

The Iowa County Engineers Association Service Bureau is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and modified cash basis of accounting, which is the same measurement focus and basis of accounting employed by certain private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Iowa County Engineers Association Service Bureau's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Service Bureau's financial activities.

The Statements of Assets, Liabilities and Net Assets – modified cash basis present information on certain of the Service Bureau's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Service Bureau is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Assets – modified cash basis are the basic statements of activities for proprietary funds. These statements present information on the Service Bureau's modified cash basis operating revenues and expenses, non-operating revenues and expenses and whether the Service Bureau's financial position has improved or deteriorated as a result of the year's activities.

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

IOWA COUNTY ENGINEER'S ASSOCIATION SERVICE BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE SERVICE BUREAU

Statements of Assets, Liabilities and Net Assets – modified cash basis

Net assets over time may serve as a useful indicator of the Service Bureau's financial position. The Service Bureau's net assets, using the modified cash basis of accounting, for fiscal 2007 totaled approximately \$289,300. This compares to approximately \$276,700 for fiscal 2006. A summary of the Service Bureau's net assets is presented below.

	June 30,	
	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 102,325	\$ 58,677
Certificates of deposit	149,846	199,500
Property and equipment, net of accumulated depreciation	<u>41,903</u>	<u>23,225</u>
 Total assets - modified cash basis	 294,074	 281,402
 Less funds held for others	 <u>4,774</u>	 <u>4,663</u>
 Net assets	 <u>\$ 289,300</u>	 <u>\$ 276,739</u>

At June 30, 2007, \$50,000 of the cash and cash equivalents balance was designated by management for reinvestment in a certificate of deposit. The remaining \$52,325 was cash available for regular operations. The Service Bureau's Board has designated \$100,000 of its net assets for special projects. All other net assets represent unrestricted and undesignated net assets that can be used to meet the Service Bureau's obligations as they come due.

IOWA COUNTY ENGINEER'S ASSOCIATION SERVICE BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE SERVICE BUREAU, continued

Statements of Revenues, Expenses and Changes in Net Assets – modified cash basis

Operating revenues primarily consist of a suballocation of County Road Use Tax funds, which are processed and remitted to the Service Bureau through the Iowa Department of Transportation. Operating expenses are expenses paid to provide news, communications, data distribution and work automation services to member counties in Iowa. Non-operating revenues arise primarily from interest income. A summary of revenues, expenses, and changes in net assets – modified cash basis is presented below:

	Year ended June 30,	
	2007	2006
Revenue		
Road Use Tax Fund income	\$ 360,000	\$ 360,000
Interest	10,781	3,967
Miscellaneous	190	7,722
Total revenue	<u>370,971</u>	<u>371,689</u>
Expenses		
Salaries	254,146	247,228
Payroll taxes	18,814	18,315
Employee benefits	37,261	45,703
Professional services	6,310	3,873
Administrative fees	10,069	12,829
Travel	8,927	8,834
Meeting expenses	1,464	752
Office supplies and printing	4,755	5,672
Miscellaneous	1,966	2,832
Depreciation	14,698	12,647
Total expenses	<u>358,410</u>	<u>358,685</u>
Revenue over expenses	12,561	13,004
Net assets – modified cash basis, beginning of year	<u>276,739</u>	<u>263,735</u>
Net assets – modified cash basis, end of year	<u>\$ 289,300</u>	<u>\$ 276,739</u>

The Statements of Revenues, Expenses and Changes in Net Assets - modified cash basis reflect an increase in net assets at the end of each fiscal year. In fiscal 2007, operating revenues decreased by \$718, or 0.2%. Operating expenses decreased by \$275, or 0.1%.

IOWA COUNTY ENGINEER'S ASSOCIATION SERVICE BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS

At June 30, 2007, the Service Bureau had \$41,903 invested in capital assets, net of accumulated depreciation of \$62,554. Depreciation charges totaled \$14,698 for fiscal 2007. More detailed information about the Service Bureau's capital assets is presented in Note A to the financial statements.

ECONOMIC FACTORS

Iowa County Engineers Association Service Bureau continued to improve its financial position during the current fiscal year. While the Service Bureau generally expects that funding from the Road Use Tax will be both reliable and stable with moderate year-to-year growth, it also recognizes some of the realities that may potentially become challenges, such as:

- Any action by the State Legislature to reduce the percentage share of Road Use Tax Fund (RUTF) revenues would decrease the total funds available to the Bureau.
- Should fuel and/or vehicle sales falter, perhaps due to increased fuel prices, economic recession or other factors, less revenue would be available to all RUTF recipients, including the Service Bureau.
- Costs of personnel and technology may potentially grow at a faster rate than RUTF revenues.

The Service Bureau has opted to recognize these potential challenges by limiting its budgets to using only approximately sixty percent of the maximum RUTF available under the percent allocated. This leaves room for budget growth, if necessary, and protects against reductions in RUTF revenues.

The Service Bureau anticipates that fiscal year 2008 will be much like fiscal year 2007 and will maintain a close watch over resources to maintain the Service Bureau's ability to react to unknown issues.

CONTACTING THE SERVICE BUREAU'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the Service Bureau's finances and to show the Service Bureau's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Iowa County Engineers Association Service Bureau, 501 SW 7th Street, Suite Q, Des Moines, Iowa.

IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 102,325	\$ 58,677
Certificates of deposit	149,846	199,500
Property and equipment:		
Furniture and fixtures	9,216	8,269
Computer hardware	56,486	44,168
Computer software	38,755	18,644
Total	<u>104,457</u>	<u>71,081</u>
Less: accumulated depreciation	<u>62,554</u>	<u>47,856</u>
Net property and equipment	<u>41,903</u>	<u>23,225</u>
TOTAL ASSETS	<u><u>\$ 294,074</u></u>	<u><u>\$ 281,402</u></u>

LIABILITIES AND NET ASSETS

Liabilites - funds held for others	4,774	4,663
Net assets	<u>289,300</u>	<u>276,739</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 294,074</u></u>	<u><u>\$ 281,402</u></u>

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

IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU
STATEMENTS OF REVENUE, EXPENSES
AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>REVENUE</u>		
Road Use Tax Fund (RUTF) income	\$ 360,000	\$ 360,000
Interest	10,781	3,967
Miscellaneous	190	7,722
	<u>370,971</u>	<u>371,689</u>
TOTAL REVENUE		
<u>EXPENSES</u>		
Salaries	254,146	247,228
Payroll taxes	18,814	18,315
Employee benefits	37,261	45,703
Professional services	6,310	3,873
Administrative fees	10,069	12,829
Travel	8,927	8,834
Meeting expenses	1,464	752
Office supplies and printing	4,755	5,672
Miscellaneous	1,966	2,832
Depreciation	14,698	12,647
	<u>358,410</u>	<u>358,685</u>
TOTAL EXPENSES		
REVENUE OVER EXPENSES	12,561	13,004
NET ASSETS - MODIFIED CASH BASIS, beginning of year	<u>276,739</u>	<u>263,735</u>
NET ASSETS - MODIFIED CASH BASIS, end of year	<u>\$ 289,300</u>	<u>\$ 276,739</u>

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

IOWA COUNTY ENGINEER'S ASSOCIATION SERVICE BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Iowa County Engineers Association Service Bureau (the Service Bureau) was formed as a non-profit public agency in accordance with Iowa Code Chapter 28E to provide communications, data distribution, and work automation services to member counties in Iowa.

Modified Cash Basis Accounting - The accompanying financial statements have been prepared on the modified cash basis of accounting. Under the modified cash basis of accounting, revenues are recognized when received, rather than when earned, and expenses are recognized when paid, rather than when incurred. The Service Bureau recognizes its investment in property and equipment as assets in these financial statements. Property and equipment are recorded at cost and depreciated over the estimated useful lives (generally three to seven years) of the related assets using the straight-line method. The modified cash basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the financial statements do not present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.

Estimates - The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents - Cash and cash equivalents include bank deposits and funds invested in a broker money market account.

The Service Bureau's bank deposits totaled approximately \$44,600 at June 30, 2007. These deposits were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Income Taxes - The Iowa County Engineers Association Service Bureau is a non-profit organization exempt from income taxes. Accordingly, no provision for income taxes has been provided in the financial statements.

NOTE B - IOWA DEPARTMENT OF TRANSPORTATION AGREEMENTS

The Service Bureau receives significant funding through a Road Use Tax Fund agreement with the Iowa Department of Transportation. The Service Bureau may also enter into contracts to perform research projects on behalf of the Iowa Department of Transportation.

NOTE C - AGREEMENT WITH THE IOWA STATE ASSOCIATION OF COUNTIES

The Service Bureau has an agreement with the Iowa State Association of Counties (ISAC) whereby ISAC provides the Service Bureau with office space, clerical support, telephone services, use of its office-related equipment, insurance and other employee benefits. The Service Bureau reimburses ISAC for these costs on a periodic basis. Total reimbursements paid to ISAC were \$38,897 and \$50,233 in fiscal years 2007 and 2006, respectively.

IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU
NOTES TO FINANCIAL STATEMENTS

NOTE D - PENSION AND RETIREMENT BENEFITS

The Service Bureau contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Organization is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Service Bureau's contributions to IPERS for the years ended June 30, 2007 and 2006 were \$14,631 and \$14,125, respectively.

NOTE E - FUNDS HELD FOR OTHERS

The Service Bureau has agreements with ICEA AutoCAD Users Group (ACAD), The Federal Aid Inspection, and The Blackhawk Geographic Information Systems Group, whereby the Service Bureau provides certain administrative duties to these Organizations, including collecting receipts and disbursing funds as directed by these groups.

NOTE F - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing services to establish a rate methodology include expenses of providing the services (salaries and related costs, as well as consulting fees). Management and general expenses include all executive and financial administration expenses.

Following is a summary of the functional allocation of expenses at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Program services	\$ 250,887	\$ 240,319
Fundraising costs	-	-
General and administration	<u>107,523</u>	<u>118,366</u>
	<u>\$ 358,410</u>	<u>\$ 358,685</u>

NOTE G - BOARD DESIGNATED NET ASSETS

The Service Bureau's Board of Directors has designated \$100,000 of its net assets for special projects. As of June 30, 2007, the Board has not yet identified any specific projects for which these funds will be used.



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
Iowa County Engineers Association Service Bureau

We have audited the financial statements of Iowa County Engineers Association Service Bureau as of and for the year ended June 30, 2007 and have issued our report thereon dated October 8, 2007. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Iowa County Engineers Association Service Bureau's 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 our opinion on the effectiveness of Iowa County Engineers Association Service Bureau's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iowa County Engineers Association Service Bureau's internal control 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 the 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 Iowa County Engineers Association Service Bureau's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood a misstatement of the Iowa County Engineers Association Service Bureau's that is more than inconsequential will not be prevented or detected by Iowa County Engineers Association Service Bureau's internal control.

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

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered 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 Iowa County Engineers Association Service Bureau's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Service Bureau's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Service Bureau. 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 is intended solely for the information and use of the Board of Directors and Iowa County Engineers Association Service Bureau's management and is not intended to be and should not be used by anyone other than these specified parties.

McGowen, Hurst, Clark + Smith, P.C.

West Des Moines, Iowa
October 8, 2007

IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Findings Related to the Financial Statements

Instances of non-compliance

No matters were noted.

Significant deficiencies or material weaknesses

No matters were noted.

Other findings related to required statutory reporting

No matters were noted.