

IOWA COUNTY ENGINEERS ASSOCIATION
SERVICE BUREAU

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2012 AND 2011

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IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU
OFFICIALS
AS OF JUNE 30, 2012

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Amy Sinclair	Chairperson	Wayne County
Robert Fangmann	Vice Chairperson	Cedar County
Todd Kinney	Alternate	Clinton County
Larry Vest	Alternate	Tama County
Zach Gunsolley	Alternate	Ringgold County
Dan Waid	Member	Hamilton County
Dennis May	Member	Worth County
Jon Ites	Member	Buena Vista County
Richard Crouch	Member	Mills County
Keith White	Alternate	Muscatine County
Wayne Manternach	Alternate	Jones County
Darren Moon	Member	Story County
Doug Miller	Alternate	Kossuth County



Partners

Michael E. Brinker, CPA
David A. Farnsworth, CPA
David W. Hurst, CPA
Kathleen A. Koenig, CPA
Robert R. McGowen, CPA
Michael W. McNichols, CPA

Brian K. Newton, CPA
Thomas J. Pflanz, CPA, CFP®
John A. Schmidt, CPA
Daniel A. Schwarz, CPA/ABV
S. James Smith, CPA
Joni M. Tonnemacher, CPA, CFFA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of net assets of the Iowa County Engineers Association Service Bureau as of June 30, 2012 and 2011 and the related statements of revenues, expenses and changes in net assets and cash flows 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 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 previously present fairly, in all material respects, the net assets of the Iowa County Engineers Association Service Bureau as of June 30, 2012 and 2011, 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 24, 2012, 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

West Des Moines, Iowa
September 24, 2012

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

Iowa County Engineers Association Service Bureau (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, 2012. We encourage readers to consider this information in conjunction with the Service Bureau's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Organization's total revenue decreased 4.67%, or \$24,568, from fiscal 2011 to fiscal 2012.
- The Organization's operating expenses increased 6.46%, or \$30,879, from fiscal 2011 to fiscal 2012.
- The Organization's net assets decreased 1.87%, or \$7,213, from June 30, 2011 to June 30, 2012.

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 full accrual basis of accounting. 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 Statement of Net Assets presents information on the Organization'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 Organization is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets presents information on the Organization's operating revenues and expenses, non-operating revenues and expenses, and whether the Organization's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Organization's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Organization financed its activities and how it met its cash requirements.

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

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

FINANCIAL ANALYSIS OF THE SERVICE BUREAU

Statements of Net Assets

Net assets over time may serve as a useful indicator of the Service Bureau's financial position. The Service Bureau's net assets at the end of fiscal year 2012 totaled approximately \$378,700 compared to approximately \$385,900 at June 30, 2011. A summary of the Service Bureau's net assets is presented below.

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Current assets	\$ 370,334	\$ 402,314
Capital assets at cost, less accumulated depreciation	<u>45,749</u>	<u>19,816</u>
Total assets	416,083	422,130
Less current liabilities	<u>37,353</u>	<u>36,187</u>
Net assets - unrestricted	<u>\$ 378,730</u>	<u>\$ 385,943</u>

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 ENGINEERS ASSOCIATION SERVICE BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE SERVICE BUREAU, continued

Statements of Revenues, Expenses and Changes in Net Assets

Operating revenues primarily consist of an allocation of County Road Use Tax funds, which are processed and remitted to the Service Bureau through the Iowa Department of Transportation. Operating revenues also include income from other agreements requested and funded by the Iowa Department of Transportation. Operating expenses consist of expenses paid to provide news, communications, data distribution and work automation services to member counties in Iowa. Non-operating revenues arise primarily from interest and other miscellaneous income. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2012 and 2011 is presented below:

	Changes in Net Assets	
	Year ended June 30,	
	2012	2011
Revenue		
Road Use Tax Fund (RUTF) income	\$ 431,500	\$ 425,000
Research funds	39,024	63,579
Special projects	-	14,584
Interest	816	1,287
Other	30,587	22,045
Total revenue	501,927	526,495
Expenses		
Salaries	325,395	311,461
Payroll taxes	23,951	22,850
Employee benefits	76,059	69,474
Professional services	6,350	8,185
Administrative fees	3,975	5,946
Travel	7,331	8,406
Meeting expenses	702	884
Office expenses	28,189	22,503
Depreciation	9,675	8,919
Rent	15,493	17,169
Utilities	2,048	572
Miscellaneous	9,972	1,892
Total expenses	509,140	478,261
Increase (decrease) in net assets	(7,213)	48,234
Net assets, beginning of year	385,943	337,709
Net assets, end of year	\$ 378,730	\$ 385,943

The Statements of Revenues, Expenses and Changes in Net Assets reflect a decrease in net assets at the end of fiscal year 2012 and an increase in net assets at the end of fiscal year 2011. During fiscal year ended June 30, 2012, total revenue decreased by \$24,568 or 4.67% primarily due to a decrease in research funds and special projects income. Operating expenses increased by \$30,879 or 6.46% primarily due to an increase in salaries and related benefits as well as expenses related to moving to new office space during the fiscal year.

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

FINANCIAL ANALYSIS OF THE SERVICE BUREAU, continued

Statements of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating and related investing activities. Cash provided by operating activities includes sub allocation of county Road Use Tax Funds and research funds income, reduced by payments to employees, as well as payments related to meetings and conferences. Cash used by investing activities primarily includes proceeds from maturities and sales of investments, net of purchases of property and equipment.

CAPITAL ASSETS

At June 30, 2012, the Service Bureau had approximately \$45,700 invested in capital assets, net of accumulated depreciation of approximately \$55,200. Depreciation charges totaled \$9,675 for fiscal 2012. 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's financial position remained consistent with the prior 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 Service 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-three 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 2013 will be much like fiscal year 2012 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, 5500 Westown Parkway, Suite 190, West Des Moines, Iowa.

IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU
STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 354,538	\$ 294,807
Investments - certificate of deposit	-	50,020
Investments - marketable securities	-	31,246
Accounts receivable	9,919	19,209
Prepaid expenses	5,877	7,032
Total current assets	370,334	402,314
PROPERTY AND EQUIPMENT		
Furniture and equipment	9,846	7,400
Leasehold improvements	21,900	-
Computer hardware	57,126	50,927
Office machines	5,403	10,344
Computer software	6,698	40,152
	100,973	108,823
Less accumulated depreciation	(55,224)	(89,007)
Net property and equipment	45,749	19,816
TOTAL ASSETS	\$ 416,083	\$ 422,130

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 9,969	\$ 6,472
Compensated absences	19,261	21,106
Funds held for others	8,123	8,609
Total current liabilities	37,353	36,187
Net assets - unrestricted	378,730	385,943
TOTAL LIABILITIES AND NET ASSETS	\$ 416,083	\$ 422,130

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

IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
REVENUE		
Road Use Tax Fund (RUTF) income	\$ 431,500	\$ 425,000
Research funds	39,024	63,579
Special projects	-	14,584
Interest	816	1,287
Other	30,587	22,045
Total revenue	<u>501,927</u>	<u>526,495</u>
EXPENSES		
Salaries	325,395	311,461
Payroll taxes	23,951	22,850
Employee benefits	76,059	69,474
Professional services	6,350	8,185
Administrative fees	3,975	5,946
Travel	7,331	8,406
Meeting expenses	702	884
Office expenses	28,189	22,503
Depreciation	9,675	8,919
Rent	15,493	17,169
Utilities	2,048	572
Miscellaneous	9,972	1,892
Total expenses	<u>509,140</u>	<u>478,261</u>
INCREASE (DECREASE) IN NET ASSETS	(7,213)	48,234
NET ASSETS, beginning of year	<u>385,943</u>	<u>337,709</u>
NET ASSETS, end of year	<u><u>\$ 378,730</u></u>	<u><u>\$ 385,943</u></u>

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

IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from Road Use Tax Fund (RUTF) income	\$ 440,790	\$ 422,626
Cash received from research funds	39,024	63,579
Cash received from special projects	-	14,584
Cash received from interest	816	1,287
Cash received from other operating receipts	30,587	22,045
Cash paid to suppliers for goods and services	(67,983)	(91,475)
Cash paid to employees for services	(427,250)	(382,219)
Net cash provided by operating activities	15,984	50,427
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(37,519)	(10,624)
Proceeds from maturities and sales of investments	81,266	99,980
Purchase of investments	-	(50,050)
Net cash provided by investing activities	43,747	39,306
 Net increase in cash and cash equivalents	59,731	89,733
 CASH AND CASH EQUIVALENTS, beginning of year	294,807	205,074
 CASH AND CASH EQUIVALENTS, end of year	\$ 354,538	\$ 294,807
 Reconciliation of operating income to net cash provided (used) by operating activities:		
Increase (decrease) in net assets	\$ (7,213)	\$ 48,234
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operations:		
Depreciation	9,675	8,919
Loss on disposal of equipment	1,911	-
Changes in:		
Accounts receivable	9,290	(2,374)
Prepaid expenses	1,155	(5,619)
Accounts payable	3,497	(2,634)
Funds held for others	(486)	5,185
Compensated absences	(1,845)	(1,284)
Net cash provided by operating activities	\$ 15,984	\$ 50,427

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

IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Iowa County Engineers Association Service Bureau (the Service Bureau) was established under the provisions of Chapter 28E of the Iowa Code to provide communications, data distribution, and work automation services to member counties in Iowa.

The Organization's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity - For financial reporting purposes, the Organization has included all funds, organizations, agencies, boards, commissions and authorities. The Organization has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Organization to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Organization. The Organization has no component units which meet the Governmental Accounting Standards Board Criteria.

Basis of Presentation - The accounts of the Organization are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting - The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Organization applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Organization distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Organization's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU
NOTES TO FINANCIAL STATEMENTS

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

Concentration of Credit Risk - The Service Bureau's bank deposits totaled approximately \$312,700 at June 30, 2012. 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. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

Accounts Receivable - Accounts receivable consist primarily of amounts due from the Iowa Department of Transportation. Management periodically reviews outstanding accounts receivable to determine whether an allowance for uncollectible accounts should be established. No allowance related to accounts receivable was considered necessary at June 30, 2012 or 2011.

Investments - The Organization's investments in marketable securities are presented at fair value. Changes in unrealized gains and losses, if any, are included as a component of investment income on the statement of revenues, expenses and changes in net assets.

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

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.

Income Tax Matters - The Iowa County Engineers Association Service Bureau is a non-profit organization established under Chapter 28E of the Iowa Code. As the result of its status as a 28E organization, it is exempt from income taxes and has no income tax filing requirements.

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE B - INVESTMENTS

Investments - certificate of deposit at June 30, 2011 consisted of a bank certificate of deposit that earned interest at a rate of 0.70% and matured in February 2012.

Investments in marketable securities at June 30, 2011 consisted of one mutual fund with a fair value of \$31,246. Accounting principles generally accepted in the United States of America has a required framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The marketable securities held by the Organization were valued using quoted prices in active markets for identical assets or liabilities (Level 1 measurements).

NOTE C - 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 also has two contracts to perform research and special projects on behalf of the Iowa Department of Transportation.

IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU
NOTES TO FINANCIAL STATEMENTS

NOTE D - 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 \$41,358 and \$43,695 in fiscal years 2012 and 2011, respectively.

NOTE E - 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.

During fiscal year ended June 30, 2012, plan members were required to contribute 5.38% of their annual salary and the Service Bureau was required to contribute 8.07% of annual covered payroll. During fiscal year ended June 30, 2011, plan members were required to contribute 4.5% of their annual salary and the Service Bureau was required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The Service Bureau's contribution to IPERS for the years ended June 30, 2012 and 2011 was \$26,408 and \$21,736, respectively.

NOTE F - FUNDS HELD FOR OTHERS

The Service Bureau has an agreement with ICEA AutoCAD Users Group (ACAD), whereby the Service Bureau provides certain administrative duties to ACAD including collecting receipts and disbursing funds as directed by ACAD.

NOTE G - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing services to establish a rate methodology includes 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 for the years ended June 30, 2012 and 2011:

	2012	2011
Program services	\$ 355,305	\$ 358,512
Fundraising costs	-	-
General and administration	153,835	119,749
	\$ 509,140	\$ 478,261

NOTE H - 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, 2012, the Board has not yet identified any specific projects for which these funds will be used.

IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU
NOTES TO FINANCIAL STATEMENTS

NOTE I - RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Organization assumes liability for any deductibles and claims in excess of coverage limitations.



Partners

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Daniel A. Schwarz, CPA/ABV
S. James Smith, CPA
Joni M. Tonnemacher, CPA, CFFA

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, 2012, and have issued our report thereon dated September 24, 2012. 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 of the United States.

Internal Control over Financial Reporting

The management of the Iowa County Engineers Association Service Bureau is responsible for establishing and maintaining effective 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 an 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 the Organization's internal control over financial reporting.

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 or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial report that might be deficiencies, significant deficiencies, or 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, 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*.

This report is intended solely for the information and use of management, members and the Board of Directors and other parties to whom the Organization 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 24, 2012

IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Findings Related to the Financial Statements

Internal control deficiencies

No material weaknesses were identified.

Instances of non-compliance

No matters were noted.

Other findings related to required statutory reporting

No matters were noted.