

**IOWA COUNTY ENGINEERS ASSOCIATION**  
**SERVICE BUREAU**

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

**JUNE 30, 2013 AND 2012**

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**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**OFFICIALS**  
**AS OF JUNE 30, 2013**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Wayne Manternach	Chairperson	Jones County
Richard Crouch	Vice Chairperson	Mills County
Todd Kinney	Member	Clinton County
Darren Moon	Member	Story County
Dennis May	Member	Worth County
Jon Ites	Member	Buena Vista County
Keith White	Member	Muscatine County
Roger Schletzbaum	Alternate	Marion County
Larry Vest	Alternate	Tama County
Doug Miller	Alternate	Kossuth County
Zach Gunsolley	Alternate	Ringgold County
Mike Hadley	Alternate	Keokuk County
John Burgstrum	Alternate	Scott 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, MAFF

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Iowa County Engineers Association Service Bureau (Service Bureau) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express our 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 misstatement.

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

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iowa County Engineers Association Service Bureau as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require the 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013 on our consideration of 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 performed in accordance with *Government Auditing Standards* in considering Iowa County Engineers Association Service Bureau's internal control over financial reporting and compliance.

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

West Des Moines, Iowa  
October 15, 2013

**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 year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Service Bureau's financial statements, which follow.

**2013 FINANCIAL HIGHLIGHTS**

- The Service Bureau's total revenue decreased 2.37%, or \$11,873, from fiscal year 2012 to fiscal year 2013.
- The Service Bureau's operating expenses increased 2.89%, or \$14,698, from fiscal year 2012 to fiscal year 2013.
- The Service Bureau's net position decreased 8.92%, or \$33,784, from June 30, 2012 to June 30, 2013.

**USING THIS ANNUAL REPORT**

The Iowa County Engineers Association Service Bureau is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are 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 Position presents information on the Service Bureau's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Service Bureau is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information on the Service Bureau's 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 Statement of Cash Flows presents the change in the Service Bureau's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Service Bureau 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 Position*

As noted earlier, net position may serve over time as a useful indicator of the Service Bureau's financial position. The Service Bureau's net position at the end of fiscal year 2013 totaled approximately \$344,900 compared to approximately \$378,700 at June 30, 2012. A summary of the Service Bureau's net position is presented below.

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Current assets	\$ 337,223	\$ 370,334
Capital assets at cost, less accumulated depreciation	<u>40,300</u>	<u>45,749</u>
Total assets	377,523	416,083
Less current liabilities	<u>32,577</u>	<u>37,353</u>
Net position - unrestricted	<u>\$ 344,946</u>	<u>\$ 378,730</u>

The Service Bureau's Board has designated \$100,000 of its net position for special projects. The remaining net position is unrestricted and undesignated and 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 Position*

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 position for the years ended June 30, 2013 and 2012 is presented below:

	Changes in Net Position	
	Year ended June 30,	
	2013	2012
Revenue		
Road Use Tax Fund (RUTF) income	\$ 431,419	\$ 431,500
Research funds	32,426	39,024
Interest	502	816
Other	25,707	30,587
Total revenue	490,054	501,927
Expenses		
Salaries	338,126	325,395
Payroll taxes	24,614	23,951
Employee benefits	79,208	76,059
Professional services	7,600	6,350
Administrative fees	5,094	3,975
Travel	8,272	7,331
Meeting expenses	1,377	702
Office expenses	27,703	28,189
Depreciation	12,257	9,675
Rent	16,379	15,493
Utilities	1,866	2,048
Miscellaneous	1,342	9,972
Total expenses	523,838	509,140
Decrease in net position	(33,784)	(7,213)
Net position, beginning of year	378,730	385,943
Net position, end of year	\$ 344,946	\$ 378,730

The Statements of Revenues, Expenses and Changes in Net Position reflect a decrease in net position at the end of fiscal year 2013 and 2012. During fiscal year ended June 30, 2013, total revenue decreased by \$11,873, or 2.37%, primarily due to a decrease in research funds and other income. Operating expenses increased by \$14,698, or 2.89%, primarily due to an increase in salaries and related benefits and depreciation. The increase was offset by a decrease in miscellaneous expense.

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

**FINANCIAL ANALYSIS OF THE SERVICE BUREAU, continued**

*Statements of Cash Flows*

The Statements of Cash Flows presents information related to cash inflows and outflows, summarized by operating and related investing activities. Cash used 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 includes purchases of property and equipment.

**CAPITAL ASSETS**

At June 30, 2013, the Service Bureau had approximately \$40,300 invested in capital assets, net of accumulated depreciation of approximately \$66,800. Depreciation charges totaled \$12,257 for fiscal year 2013. 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 2014 will be much like fiscal year 2013 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 50266.

**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2013 AND 2012**

**ASSETS**

	2013	2012
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 335,974	\$ 354,538
Accounts receivable	62	9,919
Prepaid expenses	1,187	5,877
<b>Total current assets</b>	<b>337,223</b>	<b>370,334</b>
 <b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	10,209	9,846
Leasehold improvements	21,900	21,900
Computer hardware	56,921	57,126
Office machines	8,282	5,403
Computer software	9,837	6,698
	107,149	100,973
Less accumulated depreciation	(66,849)	(55,224)
<b>Net property and equipment</b>	<b>40,300</b>	<b>45,749</b>
 <b>TOTAL ASSETS</b>	<b>\$ 377,523</b>	<b>\$ 416,083</b>

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,455	\$ 9,969
Compensated absences	20,999	19,261
Funds held for others	8,123	8,123
<b>Total current liabilities</b>	<b>32,577</b>	<b>37,353</b>
 <b>NET POSITION - unrestricted</b>	<b>344,946</b>	<b>378,730</b>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 377,523</b>	<b>\$ 416,083</b>

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 POSITION**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
<b>REVENUE</b>		
Road Use Tax Fund (RUTF) income	\$ 431,419	\$ 431,500
Research funds	32,426	39,024
Interest	502	816
Other	25,707	30,587
<b>Total revenue</b>	490,054	501,927
 <b>EXPENSES</b>		
Salaries	338,126	325,395
Payroll taxes	24,614	23,951
Employee benefits	79,208	76,059
Professional services	7,600	6,350
Administrative fees	5,094	3,975
Travel	8,272	7,331
Meeting expenses	1,377	702
Office expenses	27,703	28,189
Depreciation	12,257	9,675
Rent	16,379	15,493
Utilities	1,866	2,048
Miscellaneous	1,342	9,972
<b>Total expenses</b>	523,838	509,140
 <b>DECREASE IN NET POSITION</b>	(33,784)	(7,213)
 <b>NET POSITION, beginning of year</b>	378,730	385,943
 <b>NET POSITION, end of year</b>	\$ 344,946	\$ 378,730

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, 2013 AND 2012**

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from Road Use Tax Fund (RUTF) income	\$ 441,276	\$ 440,790
Cash received from research funds	32,426	39,024
Cash received from interest	502	816
Cash received from other operating receipts	25,707	30,587
Cash paid to suppliers for goods and services	(71,457)	(67,983)
Cash paid to employees for services	(440,210)	(427,250)
<b>Net cash provided (used) by operating activities</b>	<b>(11,756)</b>	<b>15,984</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(6,808)	(37,519)
Proceeds from maturities and sales of investments	-	81,266
<b>Net cash provided (used) by investing activities</b>	<b>(6,808)</b>	<b>43,747</b>
 <b>Net increase (decrease) in cash and cash equivalents</b>	<b>(18,564)</b>	<b>59,731</b>
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>354,538</b>	<b>294,807</b>
 <b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 335,974</b>	<b>\$ 354,538</b>
 <b>Reconciliation of decrease in net position to net cash provided (used) by operating activities:</b>		
Decrease in net position	\$ (33,784)	\$ (7,213)
Adjustments to reconcile decrease in net position to net cash provided (used) by operating activities:		
Depreciation	12,257	9,675
Gain on disposal of equipment	-	1,911
Changes in:		
Accounts receivable	9,857	9,290
Prepaid expenses	4,690	1,155
Accounts payable	(6,514)	3,497
Funds held for others	-	(486)
Compensated absences	1,738	(1,845)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (11,756)</b>	<b>\$ 15,984</b>

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 Service Bureau'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 Service Bureau has included all funds, organizations, agencies, boards, commissions and authorities. The Service Bureau 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 Service Bureau are such that exclusion would cause the Service Bureau's financial statements to be misleading or incomplete. The GASB 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 Service Bureau 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 Service Bureau. The Service Bureau has no component units which meet the GASB Criteria.

**Basis of Presentation** - The accounts of the Service Bureau 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 Service Bureau 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 Service Bureau's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Service Bureau's deposits in banks at June 30, 2013 and 2012 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.

**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**NOTES TO FINANCIAL STATEMENTS**

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

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, 2013 or 2012.

Property and Equipment - Property and equipment are stated at cost. The Organization capitalizes purchases of \$1,000 or greater. Depreciation is provided by the straight-line method over the estimated economic useful lives of the assets, ranging from three to ten years.

Compensated Absences - The Service Bureau employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Service Bureau's liability for accumulated vacation has been computed based on rates of pay in effect at July 1, 2013 and 2012.

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.

**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 also had a contract to perform research on behalf of the Iowa Department of Transportation through December 2012.

**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 \$45,207 and \$41,358 in fiscal years 2013 and 2012, respectively.

**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.

**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - PENSION AND RETIREMENT BENEFITS** - continued

During the fiscal years ended June 30, 2013 and 2012, plan members were required to contribute 5.78% and 5.38%, respectively, of their annual covered salary and the Service Bureau was required to contribute 8.67% and 8.07%, respectively, of covered salary. Contribution requirements are established by State statute. The Service Bureau's contribution to IPERS for the years ended June 30, 2013 and 2012 were \$29,165 and \$26,408, respectively, equal to the required contributions for each year.

**NOTE E - 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 F - FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing communications, data distributions, and work automation services 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 for the years ended June 30, 2013 and 2012:

	2013	2012
Program services	\$ 372,498	\$ 355,305
Fundraising costs	-	-
General and administration	151,340	153,835
	\$ 523,838	\$ 509,140

**NOTE G - BOARD DESIGNATED NET POSITION**

The Service Bureau's Board of Directors has designated \$100,000 of its net position for special projects. As of June 30, 2013, the Board has not yet identified any specific projects for which these funds will be used.

**NOTE H - RISK MANAGEMENT**

The Service Bureau 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 Service Bureau assumes liability for any deductibles and claims in excess of coverage limitations.



*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

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John A. Schmidt, CPA  
Daniel A. Schwarz, CPA/ABV  
S. James Smith, CPA  
Joni M. Tonnemacher, CPA, MAFF

**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Iowa County Engineers Association Service Bureau as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Iowa County Engineers Association Service Bureau's basic financial statements and have issued our report thereon dated October 15, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Iowa County Engineers Association Service Bureau's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions 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. Accordingly, we do not express an opinion on the effectiveness of the Service Bureau's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Iowa 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Service Bureau's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Service Bureau's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McGowan, Hurst, Clark + Smith, P.C.*

West Des Moines, Iowa  
October 15, 2013

**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**SCHEDULE OF FINDINGS**  
**YEAR ENDED JUNE 30, 2013**

**Findings Related to the Financial Statements**

**Internal control deficiencies**

No matters were noted.

**Instances of non-compliance**

No matters were noted.

**Other findings related to required statutory reporting**

No matters were noted.