

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

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

**JUNE 30, 2014 AND 2013**

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**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**OFFICIALS**  
**AS OF JUNE 30, 2014**

<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
Larry Vest	Member	Tama County
Doug Miller	Member	Kossuth County
Jon Ites	Member	Buena Vista County
Keith White	Member	Muscatine County
Dan Ahart	Alternate	Shelby County
Paul Geilenfelt III	Alternate	Marshall County
Rick Pederson	Alternate	Humboldt 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), which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 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; 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 misstatements, whether due to fraud or error.

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, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that 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, who 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 auditing standards generally accepted by the United States of America, 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 1, 2014 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 1, 2014

**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, 2014. We encourage readers to consider this information in conjunction with the Service Bureau's financial statements, which follow.

**2014 FINANCIAL HIGHLIGHTS**

- The Service Bureau's operating revenue increased 4.40%, or \$20,405, from fiscal year 2013 to fiscal year 2014.
- The Service Bureau's operating expenses decreased 2.62%, or \$13,732, from fiscal year 2013 to fiscal year 2014.
- The Service Bureau's net position decreased 0.10%, or \$354, from June 30, 2013 to June 30, 2014.

**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 deferred outflows of resources less the Service Bureau's liabilities and deferred inflows of resources, 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 is the basic statement of activities for proprietary funds. This statement 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 readers 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 2014 totaled approximately \$344,600 compared to approximately \$344,900 at June 30, 2013. A summary of the Service Bureau's net position is presented below.

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Current assets	\$ 349,442	\$ 337,223
Capital assets - at cost, less accumulated depreciation	<u>33,260</u>	<u>40,300</u>
Total assets	382,702	377,523
Less current liabilities	<u>38,110</u>	<u>32,577</u>
Net position - unrestricted	<u>\$ 344,592</u>	<u>\$ 344,946</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, 2014 and 2013 is presented below:

Changes in Net Position

	Year ended June 30,	
	2014	2013
Operating revenue		
Road Use Tax Fund (RUTF) income	\$ 484,250	\$ 431,419
Research funds	-	32,426
Total operating revenue	484,250	463,845
Operating expenses		
Salaries	324,985	338,126
Payroll taxes	23,516	24,614
Employee benefits	83,231	79,208
Professional services	7,260	7,600
Administrative fees	3,828	5,094
Travel	8,099	8,272
Meeting expenses	1,100	1,377
Office expenses	25,916	27,703
Depreciation	11,385	12,257
Rent	16,461	16,379
Utilities	1,866	1,866
Miscellaneous	2,459	1,342
Total operating expenses	510,106	523,838
Operating loss	(25,856)	(59,993)
Non-operating revenues:		
Interest income	276	502
Other income	25,226	25,707
Total non-operating revenues	25,502	26,209
Decrease in net position	(354)	(33,784)
Net position, beginning of year	344,946	378,730
Net position, end of year	\$ 344,592	\$ 344,946

The Statements of Revenues, Expenses and Changes in Net Position reflect a decrease in net position at the end of fiscal year 2014 and 2013. During fiscal year ended June 30, 2014, operating revenue increased by \$20,405, or 4.40%, primarily due to an increase in RUTF income. The increase was offset by a decrease in research funds. Operating expenses decreased by \$13,732, or 2.62%, primarily due to a decrease in salaries. The decrease was offset by an increase in employee benefits.

**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 provided or 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 capital assets.

**CAPITAL ASSETS**

At June 30, 2014, the Service Bureau had approximately \$33,300 invested in capital assets, net of accumulated depreciation of approximately \$77,400. Depreciation charges totaled \$11,385 for fiscal year 2014. 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 2015 will be much like fiscal year 2014 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, 2014 AND 2013**

**ASSETS**

	2014	2013
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 337,390	\$ 335,974
Accounts receivable	2,030	62
Prepaid expenses	10,022	1,187
<b>Total current assets</b>	349,442	337,223
 <b>CAPITAL ASSETS</b>		
Furniture and equipment	10,209	10,209
Leasehold improvements	21,900	21,900
Computer hardware	60,429	56,921
Office equipment	8,282	8,282
Computer software	9,837	9,837
	110,657	107,149
Less accumulated depreciation	(77,397)	(66,849)
<b>Net capital assets</b>	33,260	40,300
 <b>TOTAL ASSETS</b>	\$ 382,702	\$ 377,523

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,221	\$ 3,455
Compensated absences	21,371	20,999
Funds held for others	11,518	8,123
<b>Total current liabilities</b>	38,110	32,577
 <b>NET POSITION - unrestricted</b>	344,592	344,946
 <b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 382,702	\$ 377,523

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, 2014 AND 2013**

	2014	2013
<b>OPERATING REVENUE</b>		
Road Use Tax Fund (RUTF) income	\$ 484,250	\$ 431,419
Research funds	-	32,426
<b>Total operating revenue</b>	484,250	463,845
<b>OPERATING EXPENSES</b>		
Salaries	324,985	338,126
Payroll taxes	23,516	24,614
Employee benefits	83,231	79,208
Professional services	7,260	7,600
Administrative fees	3,828	5,094
Travel	8,099	8,272
Meeting expenses	1,100	1,377
Office expenses	25,916	27,703
Depreciation	11,385	12,257
Rent	16,461	16,379
Utilities	1,866	1,866
Miscellaneous	2,459	1,342
<b>Total operating expenses</b>	510,106	523,838
<b>OPERATING LOSS</b>	(25,856)	(59,993)
<b>NON-OPERATING REVENUES</b>		
Interest income	276	502
Other income	25,226	25,707
<b>Total non-operating revenues</b>	25,502	26,209
<b>DECREASE IN NET POSITION</b>	(354)	(33,784)
<b>NET POSITION, beginning of year</b>	344,946	378,730
<b>NET POSITION, end of year</b>	\$ 344,592	\$ 344,946

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, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from Road Use Tax Fund (RUTF) income	\$ 484,250	\$ 441,276
Cash received from research funds	-	32,426
Cash received from interest	276	502
Cash received from other operating receipts	23,258	25,707
Cash paid to suppliers for goods and services	(62,859)	(71,457)
Cash paid to employees for services	(438,480)	(440,210)
<b>Net cash provided (used) by operating activities</b>	<b>6,445</b>	<b>(11,756)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of capital assets	(5,029)	(6,808)
<b>Net increase (decrease) in cash and cash equivalents</b>	1,416	(18,564)
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	335,974	354,538
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 337,390</b>	<b>\$ 335,974</b>
 <b>Reconciliation of decrease in net position to net cash provided (used) by operating activities:</b>		
Decrease in net position	\$ (354)	\$ (33,784)
Adjustments to reconcile decrease in net position to net cash provided (used) by operating activities:		
Depreciation	11,385	12,257
Loss on disposal of capital assets	684	-
Changes in:		
Accounts receivable	(1,968)	9,857
Prepaid expenses	(8,835)	4,690
Accounts payable	1,766	(6,514)
Funds held for others	3,395	-
Compensated absences	372	1,738
<b>Net cash provided (used) by operating activities</b>	<b>\$ 6,445</b>	<b>\$ (11,756)</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 accounting principles generally accepted in the United States of America 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, 2014 and 2013 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 registration fees from conference held during the year. 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, 2014 or 2013.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. 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, 2015 and 2014.

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 \$38,554 and \$45,207 in fiscal years 2014 and 2013, respectively. Total payments received from ISAC relating to services provided by Service Bureau's employees totaled \$24,626 and \$25,107 in fiscal year 2014 and 2013, 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.

During the fiscal years ended June 30, 2014 and 2013, plan members were required to contribute 5.95% and 5.78%, respectively, of their annual covered salary and the Service Bureau was required to contribute 8.93% and 8.67%, respectively, of covered salary. Contribution requirements are established by State statute. The Service Bureau's contribution to IPERS for the years ended June 30, 2014 and 2013 were \$28,988 and \$29,165, 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 - 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, 2014, the Board has not yet identified any specific projects for which these funds will be used.

**NOTE G- 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  
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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, 2014, and the related notes to the financial statements, and have issued our report thereon dated October 1, 2014.

**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 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 which 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **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 1, 2014

**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**SCHEDULE OF FINDINGS**  
**YEAR ENDED JUNE 30, 2014**

1. The auditor's report expresses an unmodified opinion on the financial statements of Iowa County Engineers Association Service Bureau.
2. No material weaknesses were reported during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Iowa County Engineers Association Service Bureau were disclosed during the audit.
4. No instances of findings related to required statutory reporting were disclosed during the audit.