

IOWA COUNTY TREASURERS EGOVERNMENT ALLIANCE

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2012

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5
Management's Discussion and Analysis	6-8
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets	A 11
Notes to Financial Statement	12-13
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement Performed in Accordance with <u>Government Auditing Standards</u>	15-16
Schedule of Findings	17-18
Staff	19

Iowa County Treasurers Egovernment Alliance

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before July 2012)		
Jeff Garrett	Chairperson	July 2012
Eric Stierman	Vice Chairperson	July 2012
Larry Framke	Treasurer	July 2012
Mary Kay Williams	Secretary	July 2012
Doug Bishop	Board Liaison	July 2012
(After July 2012)		
Eric Stierman	Chairperson	July 2013
Larry Framke	Vice Chairperson	July 2013
Mary Kay Williams	Treasurer	(Resigned)
Jeff Garrett (Appointed)	Treasurer	July 2013
Kim Swearingin	Secretary	July 2013
Amy Picray	Board Liaison	July 2013

Iowa County Treasurers Egovernment Alliance



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Members of the Iowa County
Treasurers Egovernment Alliance:

We have audited the accompanying financial statement of the Iowa County Treasurers Egovernment Alliance (the Alliance) as of and for the year ended June 30, 2012. This financial statement is the responsibility of the Alliance's management. Our responsibility is to express an opinion on the financial statement based on our audit.

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 General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Iowa County Treasurers Egovernment Alliance as of June 30, 2012, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 9, 2013 on our consideration of the Iowa County Treasurers Egovernment Alliance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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 and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the Iowa County Treasurers Egovernment Alliance's basic financial statement. Management's Discussion and Analysis on pages 6 through 8 is presented for purposes of additional analysis and is not a required part of the financial statement. The information has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 9, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Iowa County Treasurers Egovernment Alliance (the Alliance) provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Alliance is for the year ended June 30, 2012. In prior years, the Alliance received net receipts (revenue sharing) from a service provider. Beginning July 9, 2011, the Alliance has reported gross receipts and disbursements. We encourage readers to consider this information in conjunction with the Alliance's financial statement, which follows.

2012 FINANCIAL HIGHLIGHTS

- Receipts of the Alliance increased approximately \$1,475,000 from fiscal year 2011 to fiscal year 2012. The increase in receipts is the result of moving from a revenue sharing agreement with the Web Host provider to a fixed fee contract under which the Alliance receives all fees.
- Disbursements of the Alliance increased approximately \$1,263,000 in fiscal year 2012 from fiscal year 2011. The reasons for the increase were incurring approximately \$489,500 of website networking costs during fiscal year 2012 versus approximately \$59,000 in fiscal year 2011 and moving from a revenue sharing agreement with the Web Host provider to a fixed fee contract under which the Alliance pays the provider fees out of receipts.
- The Alliance's cash basis net assets increased 302%, or approximately \$223,000, from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

The Alliance has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Iowa County Treasurers Egovernment Alliance's financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Alliance's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Alliance's receipts and disbursements and whether the Alliance's cash basis financial position has improved or deteriorated as a result of the year's activities.

- Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE ALLIANCE

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Alliance and the disbursements paid by the Alliance. The statement also presents a fiscal snapshot of the Alliance's cash balance at year end. Over time, readers of the financial statement are able to determine the Alliance's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

The Alliance earns interest on the temporary investment of the online property tax and motor vehicle renewal payments made through a special website which is reported as non-operating receipts. Eighty-eight counties participate in the Alliance. In prior years, the Alliance shared in revenue generated through online payments. Beginning in fiscal year 2012, the Alliance receives service delivery fees and pays claims for merchant fees, website networking costs, attorney fees, professional service fees for treasury management for balancing the internet clearing account daily, publication and meeting expenses. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2012 and 2011 is presented below:

	Year ended June 30,	
	2012	2011
Operating receipts:		
Service delivery fees	\$ 1,352,974	-
Escrow agent processing fees	194,000	-
Revenue sharing	-	79,884
Website maintenance fee	10,000	7,872
Miscellaneous	11,202	15,092
Total operating receipts	<u>1,568,176</u>	<u>102,848</u>
Operating disbursements:		
Merchant fees	789,506	-
Website networking	489,536	59,057
Attorney fees	35,274	4,251
Professional service fees for treasury management	34,930	33,916
Other professional services	23,362	6,940
Insurance	750	1,500
Publications and meeting expense	5,110	9,064
Miscellaneous	-	450
Total operating disbursements	<u>1,378,468</u>	<u>115,178</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	189,708	(12,330)
Non-operating receipts:		
Interest on investments	33,041	23,254
Change in cash basis net assets	222,749	10,924
Cash basis net assets beginning of year	73,713	62,789
Cash basis net assets end of year	<u>\$ 296,462</u>	<u>73,713</u>
Cash Basis Net Assets		
Unrestricted	<u>\$ 296,462</u>	<u>73,713</u>

Receipts consisted of service delivery fees, escrow agent processing fees and interest on investments. Disbursements totaled \$1,378,468 and included \$789,506 of merchant fees and \$489,536 for website networking.

DEBT ADMINISTRATION

At June 30, 2012, the Alliance had no long-term debt outstanding.

ECONOMIC FACTORS

The Iowa County Treasurers Egovernment Alliance's financial position increased during the current fiscal year due to an excess of receipts over disbursements. Interest on investments increased as a result of a significant increase in the volume of transactions processed through the Alliance's website. For fiscal year 2013, the Alliance budgeted for receipts and disbursements of approximately \$1,483,000 and \$1,321,500, respectively.

CONTACTING THE ALLIANCE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Alliance's finances and to show the Alliance's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Eric Stierman, Chairperson of the Iowa County Treasurers Egovernment Alliance, 720 Central Avenue P. O. Box 5001, Dubuque, Iowa 52004.

Financial Statement

Iowa County Treasurers Egovernment Alliance

Iowa County Treasurers Egovernment Alliance
 Statement of Cash Receipts, Disbursements and
 Changes in Cash Basis Net Assets

As of and for the year ended June 30, 2012

Operating receipts:	
Service delivery fees	\$ 1,352,974
Escrow agent processing fees	194,000
Website maintenance fee	10,000
Miscellaneous	11,202
Total operating receipts	<u>1,568,176</u>
Operating disbursements:	
Merchant fees	789,506
Website networking	489,536
Attorney fees	35,274
Professional service fees for treasury management	34,930
Other professional services	23,362
Insurance	750
Publications and meeting expense	5,110
Total operating disbursements	<u>1,378,468</u>
Excess of operating receipts over operating disbursements	189,708
Non-operating receipts:	
Interest on investments	<u>33,041</u>
Change in cash basis net assets	222,749
Cash basis net assets beginning of year	<u>73,713</u>
Cash basis net assets end of year	<u>\$ 296,462</u>
Cash Basis Net Assets	
Unrestricted	<u>\$ 296,462</u>

See notes to financial statement.

Iowa County Treasurers Egovernment Alliance

Notes to Financial Statement

June 30, 2012

(1) Summary of Significant Accounting Policies

The Iowa County Treasurers Egovernment Alliance (Alliance) was formed in 2006 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Alliance is to provide joint ownership of the internet clearing account and provide for a self-sustaining website by using service delivery fee receipts generated from the online payments of property tax and motor vehicle renewal fees and interest on investments to pay the costs associated with operation of the internet payment system.

The governing body of the Alliance is composed of four (4) members who are elected to staggered four (4) years terms by the membership of the Alliance and a fifth member who is either the Past President of the Iowa State County Treasurers Association (ISCTA) or is appointed by the Executive Board of the ISCTA.

A. Reporting Entity

For financial reporting purposes, the Iowa County Treasurers Egovernment Alliance has included all funds, organizations, agencies, boards, commissions and authorities. The Alliance 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 Alliance are such that exclusion would cause the Alliance's financial statement 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 Alliance 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 Alliance. The Alliance has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Alliance are organized as an Enterprise Fund. Enterprise Funds are utilized to report any activity for which a fee is charged to external users for goods or services.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The Alliance maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Alliance is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the Alliance in accordance with U.S. generally accepted accounting principles.

(2) Cash and Investments

The Alliance's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Alliance is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Alliance; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Alliance had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Risk Management

The Alliance is exposed to various risks of loss related to theft, errors and omissions. These risks are covered by the purchase of commercial insurance. The Alliance assumes liability for any claims in excess of coverage limitation. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(4) Website Hosting Contract

In June 2011, the Alliance signed a contract with GOVTech Services, Inc. (GTS) to provide Website hosting and computer software development services. The contract began in July 2011. GTS is paid a set amount for services provided as opposed to the revenue sharing agreement the Alliance had with its previous website hosting provider. GOVTech Services, Inc. was paid website hosting fees of \$418,800 for the year ended June 30, 2012, which is included in website networking disbursements in the financial statement.

(5) Treasury Management Contract

The Alliance has entered into a contract with Miles Capital Inc. for audit services of the internet clearing bank account. According to the terms of the contract, Miles Capital Inc. reconciles the internet activity to the bank activity on a daily basis, performs testing of service delivery fee calculations and provides monthly reports of the results of such reconciliations and testing. Miles Capital Inc. was paid professional service fees of \$34,930 for the year ended June 30, 2012.

Iowa County Treasurers Egovernment Alliance



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards

To the Members of the Iowa County Treasurers Egovernment Alliance:

We have audited the accompanying financial statement of the Iowa County Treasurers Egovernment Alliance (the Alliance) as of and for the year ended June 30, 2012, and have issued our report thereon dated May 9, 2013. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. 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 General of the United States.

Internal Control Over Financial Reporting

The management of the Iowa County Treasurers Egovernment Alliance is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Iowa County Treasurers Egovernment Alliance's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the Iowa County Treasurers Egovernment Alliance's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Iowa County Treasurers Egovernment Alliance's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 the Alliance's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

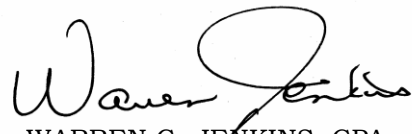
As part of obtaining reasonable assurance about whether the Iowa County Treasurers E-government Alliance's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Alliance's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Alliance. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Alliance's written responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Alliance's responses, we did not audit the Alliance's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Iowa County Treasurers E-government Alliance and other parties to whom the Alliance may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa County Treasurers E-government Alliance during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 9, 2013

Iowa County Treasurers Egovernment Alliance

Schedule of Findings

Year ended June 30, 2012

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same person. This segregation of duties helps to prevent losses from personnel error or dishonesty and, therefore, maximizes the accuracy of the Alliance’s financial statement. Generally, one or more individuals of the Alliance may have control over the following areas for which no compensating controls exist:

- (1) Bank reconciliations are not prepared by someone who doesn’t sign checks, handle or record cash.
- (2) Bank reconciliations are not reviewed periodically by an independent person for propriety.

Recommendation – We realize segregation of duties is difficult with a limited number of personnel. However, the Alliance should review its control procedures to obtain the maximum internal control possible under the circumstances and should utilize current personnel, including Alliance officials, to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – The vice chairperson will review all bank reconciliations and sign off on them.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Iowa County Treasurers Egovernment Alliance

Schedule of Findings

Year ended June 30, 2012

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Alliance money for travel expenses of spouses of Alliance officials or employees were noted.
- (3) Alliance Minutes – No transactions were found that we believe should have been approved in the minutes but were not. However, the minutes, including the schedule of bills allowed, were not submitted for publication within 20 days following the adjournment of the meetings as required by Chapter 28E.6(3) of the Code of Iowa. Also, some proofs of publication could not be located.

Recommendation – The Alliance should ensure minutes are properly submitted for publication, including the schedule of bills allowed. Proof of publication should be maintained.

Response – We will publish minutes within the 20 day window and maintain the proofs of publications.

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Alliance’s investment policy were noted.

Iowa County Treasurers Egovernment Alliance

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager
Tracey L. Gerrish, Staff Auditor
Kirstie R. Hill, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State