

**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Auditor of State

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NEWS RELEASE

FOR RELEASE

March 29, 2018

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an audit report on the Iowa County Treasurers Egovernment Alliance (the Alliance).

The Alliance had total receipts of \$1,996,643 for the year ended June 30, 2017. Receipts included service delivery fees of \$1,802,892, escrow agent processing fees of \$136,980 and interest on investments of \$42,560.

Disbursements for the year ended June 30, 2017 totaled \$1,977,680, and included \$1,244,207 for merchant fees, \$560,350 for website networking and professional services of \$40,460.

A copy of the audit report is available for review on the Iowa State County Treasurer's Association website at www.iowatreasurers.org, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1714-3280-B00F>.

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IOWA COUNTY TREASURERS EGOVERNMENT ALLIANCE

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

JUNE 30, 2017

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-9
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balance	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

(Before July 2017)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Peggy VandenBerg	Chairperson	July 2017
Jeff Garrett	Vice Chairperson	July 2017
Rita Schmidt	Treasurer	July 2017
Barb Vance	Secretary	July 2017
Jarret Heil	Board Liaison	July 2017

(After July 2017)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeff Garrett	Chairperson	July 2018
Rita Schmidt	Vice Chairperson	July 2018
Barb Vance	Treasurer	July 2018
Shelly Sitzmann	Secretary	July 2018
Kelly Busch	Board Liaison	July 2018

Iowa County Treasurers Egovernment Alliance



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Independent Auditor's Report

To the Members of the Iowa County Treasurers Egovernment Alliance:

Report on the Financial Statement

We have audited the accompanying financial statement of the Iowa County Treasurers Egovernment Alliance as of and for the year ended June 30, 2017, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Alliance's preparation and fair presentation of the financial statement 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 Alliance'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 statement.

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 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, 2017, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, Management's Discussion and Analysis on pages 7 through 9, has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2018 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 solely 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 effectiveness of the Alliance's 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 the Iowa County Treasurers Egovernment Alliance's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

March 20, 2018

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, 2017. We encourage readers to consider this information in conjunction with the Alliance's financial statement, which follows.

2017 FINANCIAL HIGHLIGHTS

- Operating receipts of the Alliance decreased approximately \$30,500 from fiscal year 2016 to fiscal year 2017. The decrease in receipts is primarily due to the decrease in service delivery fees due to more customers using the less expensive e-check option to pay tags and taxes.
- Operating disbursements of the Alliance increased approximately \$124,000 from fiscal year 2016 to fiscal year 2017. Website networking disbursements increased approximately \$26,000 due to more program development in fiscal year 2017, merchant fees increased approximately \$24,000 due to an increase in tax and fees collected. Disbursements increased approximately \$124,000, due, in part, to the purchase PIN Pads for the counties.
- The Alliance's cash basis net position increased 2.3%, or approximately \$19,000, from June 30, 2016 to June 30, 2017.

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 Balance presents information on the Alliance's operating receipts and disbursements, non-operating 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 Balance

The purpose of the statement is to present the receipts received by the Alliance and the disbursements paid by the Alliance, both operating and non-operating. 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 or decrease in the Alliance's cash balance.

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. 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, publications and meeting expenses. During the year, the Alliance chose to distribute \$18,516 of earnings to members of the Alliance. The last such distribution was done in fiscal year 2016. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2017 and 2016 is presented below:

	Year ended June 30,	
	2017	2016
Operating receipts:		
Service delivery fees	\$ 1,802,892	\$ 1,831,841
Escrow agent processing fees	136,980	142,768
Website maintenance fee	7,500	10,000
Miscellaneous	6,711	-
Total operating receipts	<u>1,954,083</u>	<u>1,984,609</u>
Operating disbursements:		
Merchant fees	1,244,207	1,220,135
Website networking	573,106	546,643
Card based transaction equipment	56,075	-
Attorney fees	20,684	13,013
Professional service fees for treasury management	40,460	39,290
Other professional services	8,334	4,054
Insurance	1,500	1,500
Publications and meeting expense	11,552	10,402
Miscellaneous	3,246	506
Total operating disbursements	<u>1,959,164</u>	<u>1,835,543</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(5,081)	149,066
Non-operating receipts (disbursements):		
Member equity distribution	(18,516)	(34,703)
Interest on investments	42,560	34,742
Change in cash balance	18,963	149,105
Cash balance beginning of year	<u>824,270</u>	<u>675,165</u>
Cash balance end of year	<u>\$ 843,233</u>	<u>824,270</u>
Cash Basis Fund Balance		
Unrestricted	<u>\$ 843,233</u>	<u>824,270</u>

Receipts include service delivery fees, escrow agent processing fees and interest on investments. Disbursements totaled \$1,977,680, and included \$1,244,207 of merchant fees and \$573,106 for website networking.

DEBT ADMINISTRATION

At June 30, 2017, 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. For fiscal year 2018, the Alliance budgeted for receipts and disbursements of \$1,944,600 and \$1,863,600, 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 its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeff Garrett, Chairperson of the Iowa County Treasurers Egovernment Alliance, 222 W. Main Street, PO Box 889, Washington, Iowa 52353.

Financial Statement

Iowa County Treasurers Egovernment Alliance
 Statement of Cash Receipts, Disbursements and
 Changes in Cash Balance

As of and for the year ended June 30, 2017

Operating receipts:	
Service delivery fees	\$ 1,802,892
Escrow agent processing fees	136,980
Website maintenance fee	7,500
Miscellaneous	<u>6,711</u>
Total operating receipts	<u>1,954,083</u>
Operating disbursements:	
Merchant fees	1,244,207
Website networking	573,106
Card based transaction equipment	56,075
Attorney fees	20,684
Professional service fees for treasury management	40,460
Other professional services	8,334
Insurance	1,500
Publications and meeting expense	11,552
Miscellaneous	<u>3,246</u>
Total operating disbursements	<u>1,959,164</u>
Deficiency of operating receipts under operating disbursements	(5,081)
Non-operating receipts (disbursements):	
Member equity distribution	(18,516)
Interest on investments	<u>42,560</u>
Change in cash balance	18,963
Cash balance beginning of year	<u>824,270</u>
Cash balance end of year	<u>\$ 843,233</u>
Cash Basis Fund Balance	
Unrestricted	<u><u>\$ 843,233</u></u>

See notes to financial statements.

Iowa County Treasurers Egovernment Alliance

Notes to Financial Statement

June 30, 2017

(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 finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

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, 2017 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. 72.

(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.

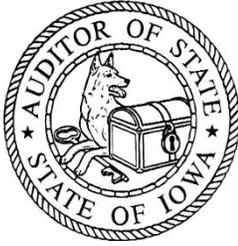
(4) Website Hosting Contract

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 and expired on June 30, 2016. On April 4, 2016, the Alliance exercised the option to extend the contract to June 30, 2017. GOVTech Services, Inc. was paid website hosting fees of \$460,100 for the year ended June 30, 2017, 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 \$40,460 for the year ended June 30, 2017.

Iowa County Treasurers Egovernment Alliance



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

To the Members of the Iowa County Treasurers Egovernment Alliance:

We have audited 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, the financial statement of the Iowa County Treasurers Egovernment Alliance as of and for the year ended June 30, 2017, and the related Notes to Financial Statement, and have issued our report thereon dated March 20, 2018. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Iowa County Treasurers Egovernment Alliance's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Iowa County Treasurers Egovernment Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of the Iowa County Treasurers Egovernment Alliance'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 the Iowa County Treasurers Egovernment Alliance's financial statement 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 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 the Iowa County Treasurers Egovernment 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 required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Alliance's operations for the year ended June 30, 2017 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.

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 results of that testing and not to provide an opinion on the effectiveness of the Alliance'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 Alliance's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa County Treasurers Egovernment 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.


MARY MOSIMAN, CPA
Auditor of State

March 20, 2018

Iowa County Treasurers Egovernment Alliance

Schedule of Findings

Year ended June 30, 2017

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Iowa County Treasurers Egovernment Alliance

Schedule of Findings

Year ended June 30, 2017

Other Findings Related to Required Statutory Reporting:

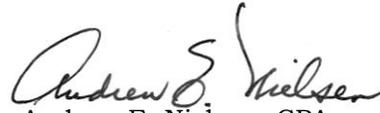
- (1) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Alliance money for travel expenses of spouses of Alliance officials or employees were noted.
- (3) Alliance Minutes – No transactions were found that we believe should have been approved in the minutes but were not.
- (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:

Michelle B. Meyer, CPA, Manager
Preston R. Grygiel, Staff Auditor
Nicole G. Benson, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State