



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE March 18, 2008

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Iowa County Treasurers Egovernment Alliance (the Alliance) for the period from October 1, 2006 (inception) through June 30, 2007.

The Alliance had total receipts of \$476,991 during the period ended June 30, 2007, which covers the first nine months of operation. The receipts included interest on investments of \$363,698, revenue sharing receipts of \$91,651 and miscellaneous receipts of \$21,642.

Disbursements for the year totaled \$148,750, and included a \$100,000 distribution to participating counties, \$24,925 for attorney fees and \$22,533 for professional services.

The report contains recommendations to the Alliance to develop an accounting policies and procedures manual, to publish a schedule of bills allowed and to obtain cancelled checks in paper or electronic format. The Alliance has responded favorably to the recommendations.

A copy of the report is available for review on the Iowa State County Treasurers Association website at www.iowatreasurers.org, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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IOWA COUNTY TREASURERS EGOVERNMENT ALLIANCE

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

JUNE 30, 2007

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 10
Notes to Financial Statement	11-12
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 January 2007)		
Eric Stierman	President	January 2008
Pam Sprague	Vice President	January 2008
Darrell Bauman	Secretary/Treasurer	January 2008
Wayne Walter	Member	January 2008
Peggy Weitzl	Past President	January 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(After January 2007)		
Pam Sprague	President	January 2009
Darrell Bauman	Vice President	January 2009
Lori Hesse	Secretary/Treasurer	January 2009
Wayne Walter	Member	January 2009
Eric Stierman	Past President	January 2009

Iowa County Treasurers Egovernment Alliance



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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 (Alliance) as of and for the period October 1, 2006 (inception) through June 30, 2007. 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, 2007, and the changes in its cash basis financial position for the period 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 February 11, 2008 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.

Management's Discussion and Analysis on pages 6 through 8 is not a required part of the financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 11, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Iowa County Treasurers Egovernment Alliance (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 period ended June 30, 2007. We encourage readers to consider this information in conjunction with the Alliance's financial statement, which follows. Because the Alliance is in its first year of operation, no comparative data is available.

2007 FINANCIAL HIGHLIGHTS

- The Alliance's net assets at June 30, 2007 were \$328,241, due in part to the Alliance earning significant interest on investments and limiting disbursements in the current period to provide for a future transition to a new website portal service provider.

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 Alliance's 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 Alliance's 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.
- The 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 investments on the temporary investment of the online property tax and motor vehicle renewal payments made through a special website. Eighty-eight counties participate in the Alliance. The Alliance also shares in revenue generated through online payments. The Alliance receives a percentage of the service delivery fee collected by the internet provider for certain internet payment transactions. The Alliance pays claims related to the internet account, distributions to participating counties, attorney fees, professional services fees for treasury management for balancing of internet clearing account daily and publication and meeting expenses. A summary of cash receipts, disbursements and changes in cash basis net assets for the period ended June 30, 2007 is presented below:

	<u>2007</u>
Operating receipts:	
Interest income	\$ 363,698
Revenue sharing	91,651
Miscellaneous	21,642
Total operating receipts	<u>476,991</u>
Operating disbursements:	
Distribution to participating counties	100,000
Attorney fees	24,925
Professional services fees for treasury management	22,533
Insurance	500
Publications and meeting expense	548
Miscellaneous	244
Total operating disbursements	<u>148,750</u>
Change in cash basis net assets	328,241
Cash basis net assets beginning of period	<u>-</u>
Cash basis net assets end of period	<u>\$ 328,241</u>
Cash Basis Net Assets	
Unrestricted	<u>\$ 328,241</u>

Receipts consisted primarily of interest on investments and shared revenue. Disbursements totaled \$148,750, and included \$100,000 distributed to participating counties.

DEBT ADMINISTRATION

At June 30, 2007, 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. In May 2007, the Alliance approved the transition to a new website provider. The website provider will continue to process the online payments but will also allow the Alliance to be more proactive in implementing enhancements and improvements to the system. The Alliance approved a disbursement not to exceed \$250,000 to provide transition to the new website portal service provider.

Other than the anticipated transition costs, the Alliance anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Alliance's ability to react to unknown issues.

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 Pam Sprague, President of Iowa County Treasurers Egovernment Alliance, 405 Jefferson Street, Bedford, Iowa 50833.

Financial Statement

Exhibit A

Iowa County Treasurers Egovernment Alliance

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

As of and for the period October 1, 2006 (inception) through June 30, 2007

Operating receipts:	
Interest on investments	\$ 363,698
Revenue sharing	91,651
Miscellaneous	21,642
Total operating receipts	<u>476,991</u>
Operating disbursements:	
Distribution to participating counties	100,000
Attorney fees	24,925
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Cash basis net assets end of period	<u>\$ 328,241</u>
Cash Basis Net Assets	
Unrestricted	<u>\$ 328,241</u>

See notes to financial statement.

Iowa County Treasurers Egovernment Alliance

Notes to Financial Statement

June 30, 2007

(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 Alliance began operation on October 1, 2006. 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 the executive board of the Iowa State County Treasurers Association. Alliance members are composed of other counties who are participants in the agreement.

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 Iowa County Treasurers Egovernment 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, 2007 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 Iowa County Treasurers Egovernment Alliance is exposed to various risks of loss related to theft, and 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.

(4) Treasury Management Contract

The Alliance has entered into a contract with WB Capital Management Inc. for audit services of the internet clearing bank account. According to the terms of the contract, WB Capital Management 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. WB Capital Management, Inc. was paid professional services fees of \$22,533 during the period ended June 30, 2007.

(5) Subsequent Event

In October 2007, the Alliance entered into a contract with ABC Virtual for the development, enhancement, management and promotion of an internet website and portal. The website provides electronic access to the public for useful and relevant information and electronic transactions with Iowa counties. The total cost of the contract is not to exceed \$250,000 for the development of and transition to the new website portal service provider.

**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**

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 Financial Statements 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 (Alliance) as of and for the period October 1, 2006 (inception) through June 30, 2007, and have issued our report thereon dated February 11, 2008. 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

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 statements, 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Iowa County Treasurers Egovernment Alliance's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the Alliance's financial statement that is more than inconsequential will not be prevented or detected by the Iowa County Treasurers Egovernment Alliance's internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statement will not be prevented or detected by the Iowa County Treasurers Egovernment Alliance's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iowa County Treasurers 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 certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Alliance's operations for the period ended June 30, 2007 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 Iowa County Treasurers Egovernment Alliance's written responses to 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 Egovernment 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 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 11, 2008

Iowa County Treasurers Egovernment Alliance

Schedule of Findings

Year ended June 30, 2007

Findings Related to the Financial Statement:

SIGNIFICANT DEFICIENCY:

(A) Accounting Policies and Procedures Manual – We encourage the development of an accounting policies and procedures manual for the Alliance. This manual should provide the following benefits:

- (1) Help achieve uniformity in accounting and in the application of policies and procedures.
- (2) Save supervisory time by recording decisions so they will not have to be made each time the same or a similar situation arises.
- (3) Aid in training additional or replacement personnel.

Recommendation – An accounting policies and procedures manual should be developed.

Response – The Executive Board will direct the Senior Policy Group to develop an accounting policy and procedure manual at the next full policy meeting in April 2008.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Iowa County Treasurers Egovernment Alliance

Schedule of Findings

Year ended June 30, 2007

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 – Except as noted below, no transactions were found that we believe should have been approved in the minutes but were not.

The required schedule of bills allowed was not published with the minutes as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The schedule of bills allowed should be published with the minutes as required by the Code of Iowa.

Response – The Executive Board will publish the minutes and the schedule of bills in the Des Moines Register after each ICTEA meeting.

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.
- (5) Check Retention – The Alliance did not receive and maintain cancelled checks in paper or electronic format.

Recommendation – The Alliance should obtain canceled checks in paper or electronic format. Checks retained in electronic format should include an image of both the front and back of each cancelled check in accordance with Chapter 554D.114 of the Code of Iowa.

Response – The Executive Board will contact Wells Fargo with the request of the State Auditor and make necessary arrangements.

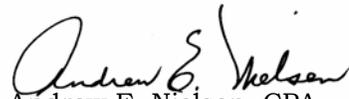
Conclusion – Response accepted.

Iowa County Treasurers Egovernment Alliance

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Lesley R. Geary, CPA, Senior Auditor II


Andrew E. Nielsen, CPA
Deputy Auditor of State