



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ June 20, 2008

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the ADLM Facilities Management Systems Commission.

The Commission had total receipts of \$136,750 for the year ended June 30, 2007. The receipts included \$36,750 from a state grant and \$100,000 from proceeds from a bond anticipation note.

Disbursements totaled \$85,949 for the year ended June 30, 2007 for construction of a sewer for the City of Plano.

A copy of the audit report is available for review in the ADLM Facilities Management Systems Commission's office, 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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**ADLM FACILITIES MANAGEMENT SYSTEMS COMMISSION**

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

**JUNE 30, 2007**

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**ADLM Facilities Management Systems Commission**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Larry Davis	Chair	Lucas County
Dale Taylor	Vice-Chair	Davis County
Dean Kaster	Secretary	Appanoose County
Denny Ryan	Member	Monroe County
Donnie Herteen	Co-Director	
Bill Milani	Co-Director	
Connie Foster	Office Manager	

**ADLM Facilities Management Systems Commission**



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Independent Auditor's Report

To the Members of the  
ADLM Facilities Management Systems Commission:

We have audited the accompanying financial statement of the ADLM Facilities Management Systems Commission as of and for the year ended June 30, 2007. This financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on this 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 ADLM Facilities Management Systems Commission at June 30, 2007, 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 June 11, 2008 on our consideration of the ADLM Facilities Management Systems Commission'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 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 7 through 9 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

June 11, 2008

**ADLM Facilities Management Systems Commission**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The ADLM Facilities Management Systems Commission provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the ADLM Facilities Management Systems Commission is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

### **2007 FINANCIAL HIGHLIGHTS**

- ◆ The ADLM Facilities Management Systems Commission was formed in 2005 and did not have any receipts or disbursements until fiscal year 2007.
- ◆ Cash basis net assets increased approximately \$50,800 from June 30, 2006 to June 30, 2007, primarily due to a federal grant and anticipatory note proceeds received for the City of Plano sewer project.

### **USING THIS ANNUAL REPORT**

The Commission 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 financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Commission's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission's 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 COMMISSION

### *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 Commission and the disbursements paid by the Commission, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Commission's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for fees and contributions from member counties and other general receipts. Operating disbursements are disbursements paid to operate the Commission. Non-operating receipts and disbursements are for state grants, debt proceeds and capital projects. A summary of cash receipts, disbursements and changes in cash basis net assets for the year ended June 30, 2007 is presented below:

Changes in Cash Basis Net Assets	
	Year ended June 30, 2007
Operating receipts:	
None	\$ -
Operating disbursements:	
None	-
Excess of operating receipts over operating disbursements	-
Non-operating receipts (disbursements):	
State grant for sewer project	36,750
Proceeds from bond anticipation note	100,000
Construction of City of Plano sewer	(85,949)
Net non-operating receipts (disbursements)	50,801
Net change in cash basis net assets	50,801
Cash basis net assets beginning of year	-
Cash basis net assets end of year	\$ 50,801
<b>Cash Basis Net Assets</b>	
Restricted for construction of City of Plano sewer	\$ 50,801

Cash basis net assets increased approximately \$50,800 from June 30, 2006 to June 30, 2007, primarily due to a state grant and anticipatory note proceeds received for the City of Plano sewer project.

### **LONG-TERM DEBT**

At June 30, 2007, the Commission had a sewer revenue bond anticipation note of \$100,000 outstanding. Additional information about the Commission's note is presented in Note 5 to the financial statement.

## **ECONOMIC FACTORS**

The Commission is working to complete its first sewer construction project and will complete it in fiscal year 2008. The current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- ◆ Sewers require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated, presenting an on going challenge to maintain up to date technology at a reasonable cost.

The Commission anticipates the current fiscal year will be a transitional one as the sewer project is completed and the Commission will expend the majority of its net assets in addition to taking on long-term debt.

## **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission'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 the ADLM Facilities Management Systems Commission, P.O. Box 399, Moravia, Iowa 52571.

**ADLM Facilities Management Systems Commission**

## **Financial Statement**

**Exhibit A**

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## ADLM Facilities Management Systems Commission

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

Year ended June 30, 2007

Operating receipts:	
None	\$ -
Operating disbursements:	
None	-
	<hr/>
Excess of operating receipts over operating disbursements	-
	<hr/>
Non-operating receipts (disbursements):	
State grant for sewer project	36,750
Proceeds from bond anticipation note	100,000
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Cash basis net assets beginning of year	-
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Cash basis net assets end of year	<hr/> \$ 50,801
	<hr/>
<b>Cash Basis Net Assets</b>	
Restricted for construction of City of Plano sewer	<hr/> \$ 50,801
	<hr/>

See notes to financial statement.

ADLM Facilities Management Systems Commission

Notes to Financial Statement

June 30, 2007

**(1) Summary of Significant Accounting Policies**

The ADLM Facilities Management Systems Commission was formed in 2005 pursuant to Chapter 28E of the Code of Iowa for the purpose of planning, designing, developing, financing, constructing, owning, operating and maintaining essential facilities and services including, but not limited to, wastewater treatment systems and water systems for and on behalf of the counties, cities and unincorporated areas within the member counties.

The governing body of the Commission is composed of one representative from each member county. The members of the Commission include Appanoose, Davis, Lucas and Monroe counties. Each member county has one vote. The co-directors of the ADLM Counties Environmental Public Health Agency provide services for the Commission.

A. Reporting Entity

For financial reporting purposes, the ADLM Facilities Management Systems Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission 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 Commission are such that exclusion would cause the Commission'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 Commission 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 Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Commission 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 ADLM Facilities Management Systems Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission 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 Commission in accordance with U.S. generally accepted accounting principles.

#### **(2) Cash**

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

#### **(3) Pension and Retirement Benefits**

The Commission 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 which 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.

Plan members are required to contribute 3.70% of their annual covered salary and the Commission is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. Since the Commission did not have any IPERS covered wages, the Commission did not make a contribution to IPERS for the year ended June 30, 2007.

#### **(4) Risk Management**

The Commission 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. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(5) Sewer Revenue Bond Anticipation Note**

On May 22, 2007, the Commission entered into a bond anticipation note with US Bank, N.A. for a maximum of \$175,000 to finance a portion of the costs to construct a sewer system for the City of Plano. The note is due on May 1, 2008 with interest from the date of each advance until paid at a variable interest rate equal to 69% of the prime rate published in the Wall Street Journal. During the year ended June 30, 2007, the Commission received advances of \$100,000 and did not make any payments on the note.

**(6) Construction Commitments**

The Commission has entered into a construction contract of \$570,963 for a sewer project for the City of Plano. As of June 30, 2007, the Commission had not made any payments on the contract and the balance will be paid as work on the project progresses. This project will be funded with a loan, state and federal grants and funds on hand.

**ADLM Facilities Management Systems Commission**

**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**

**ADLM Facilities Management Systems Commission**



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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  
ADLM Facilities Management Systems Commission:

We have audited the accompanying financial statement of the ADLM Facilities Management Systems Commission as of and for the year ended June 30, 2007, and have issued our report thereon dated June 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 ADLM Facilities Management Systems Commission'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 an opinion on the effectiveness of the ADLM Facilities Management Systems Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ADLM Facilities Management Systems Commission'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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission'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 Commission's financial statement that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies 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 that a material misstatement of the financial statement will not be prevented or detected by the Commission'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. However, of the significant deficiencies described above, we believe items (A) and (C) are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ADLM Facilities Management Systems Commission'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 Commission's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Commission. 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 ADLM Facilities Management Systems Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit the ADLM Facilities Management Systems Commission'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 officials, employees and citizens of the ADLM Facilities Management Systems Commission and other parties to whom the Commission 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 ADLM Facilities Management Systems Commission 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

June 11, 2008

ADLM Facilities Management Systems Commission

Schedule of Findings

June 30, 2007

**Findings Related to the Financial Statement:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over collecting, depositing and posting receipts.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Commission should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will review this to obtain the maximum control possible.

Conclusion – Response accepted.

- (B) Receipts – The Commission did not issue prenumbered receipts for all collections.

Recommendation – Prenumbered receipts should be issued for all collections.

Response – We will begin using prenumbered receipts immediately.

Conclusion – Response accepted.

- (C) Bank Reconciliation – The book balances were not reconciled to the bank balances.

Recommendation – Book balances should be reconciled to bank balances monthly and variances, if any, should be resolved timely. All reconciling items should be documented to support the reconciliation.

Response – We have started to prepare monthly bank reconciliations and will document deposits in transit and outstanding checks, if any.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

ADLM Facilities Management Systems Commission

Schedule of Findings

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 Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Commission Minutes – Except as noted below, no transactions were found that we believe should have been approved in the Commission minutes but were not.

The Commission minutes are not authenticated by signature of the Commission Chair.

In addition, the minutes did not include the schedule of bills allowed and gross salaries required to be published in accordance with Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The Commission minutes should be signed by the Commission Chair to authenticate the actions taken.

Also, the Commission should ensure the minutes are published as required.

Response – We will sign minutes to authenticate. We will ensure minutes are published as required.

Conclusion – Response accepted.

- (4) Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted, except as follows:

The Commission has not approved a depository resolution.

The Commission has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The Commission should establish and approve a depository resolution and adopt a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Response – We will approve a depository resolution. Currently, we do not have any investments, however we will adopt an investment policy prior to obtaining any investments.

Conclusion – Response accepted.

ADLM Facilities Management Systems Commission

Schedule of Findings

June 30, 2007

- (5) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Commission to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Commission does not obtain an image of the front and back of each cancelled check as required.

Recommendation – The Commission should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We have contacted the bank and will obtain both sides of each check in the future.

Conclusion – Response accepted.

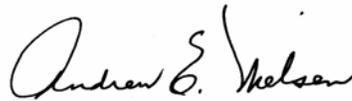
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ADLM Facilities Management Systems Commission

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Paul F. Kearney, CGFM, Senior 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 a distinct 'E'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State