

**CEDAR RIVER RECREATION &  
FINE ARTS COMPLEX  
Osage, Iowa**

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

June 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
<b>OFFICIALS</b> .....	1
<b>INDEPENDENT AUDITORS' REPORT</b> .....	2-3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	4-7
<b>FINANCIAL STATEMENTS:</b>	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.....A.....	8
Notes to Financial Statement .....	9-12
<b>INDEPENDENT AUDITORS' 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</b> .....	13-14
<b>SCHEDULE OF FINDINGS</b> .....	15-19

**CEDAR RIVER RECREATION & FINE ARTS COMPLEX**

**Officials**

For the Year Ending June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Steven Cooper .....	President .....	City of Osage
Joyce Ruehlow .....	Vice President .....	Osage Education Foundation
Konnie Snider .....	Secretary .....	Osage Community School District
Bill Denner .....	Treasurer	
Harlan Bremer .....	Board Member .....	Osage Municipal Utilities
Krista Koschmeder .....	Board Member .....	Mitchell County Historical Society
Mark Taets.. .....	Board Member .....	Mitchell County Agricultural Society
Tom Bucheit .....	At Large .....	Within Osage City Limits
Beth Bellairs .....	At Large .....	Outside Osage City Limits
Karl Theis .....	At Large .....	Outside Osage City Limits
Angie Huffman .....	Director	



## **Independent Auditors' Report**

---

To the Members of the Cedar River  
Recreation & Fine Arts Complex Board:

We have audited the accompanying financial statements of the business type activities of the Cedar River Recreation & Fine Arts Complex as of and for the year ended June 30, 2011. These financial statements are the responsibility of the Cedar River Recreation & Fine Arts Complex's management. Our responsibility is to express an opinion on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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, these financial statements were 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 statements referred to above present fairly, in all material respects, the cash basis financial position of the Cedar River Recreation & Fine Arts Complex as of June 30, 2011, and the changes in 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 28, 2012 on our consideration of the Cedar River Recreation & Fine Arts Complex's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, and contracts. 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 4 through 7 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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.

June 28, 2012

*Gardiner Thomsen, P.C.*

---

---

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

---

---

The Cedar River Recreation & Fine Arts Complex provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the Complex's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- Operating receipts of the Complex increased 237% or \$2,284,035 from fiscal year 2010 to fiscal year 2011. Pledges received increased approximately \$1,900,000.
- Operating disbursements of the Complex decreased 76% or approximately \$5,653,055 in fiscal year 2011 from fiscal year 2010. Capital projects disbursements decreased approximately \$6,200,000.
- The Complex's total cash basis net assets increased 688% or approximately \$566,150 from June 30, 2010 to June 30, 2011.

### **USING THIS REPORT**

The annual report consists of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Complex's financial statements.

The Financial Statements tell how Complex services were financed in the short term, as well as what remains for future spending. The financial statements report the Complex's operations in detail.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

### **BASIS OF ACCOUNTING**

The Complex maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Complex are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the Complex in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

### **FINANCIAL ANALYSIS OF THE COMPLEX**

Net assets may serve over time as a useful indicator of financial position. The Complex's cash balance increased sharply from a year ago, increasing from \$96,214 to \$662,364.

## Changes in Cash Basis Net Assets

	Year Ended June 30, 2011
Operating Receipts:	
Pledges	\$3,464,723
Admissions	295,602
Rent	83,714
Activities	67,218
Sales	10,678
Miscellaneous	21,966
Total Operating Receipts	3,943,901
Operating Disbursements:	
Capital Projects	967,245
Salaries & Benefits	312,974
Utilities	167,060
Activities	33,741
Marketing	21,324
Supplies	43,760
Regular Fees	15,189
Insurance	41,170
Volunteer Expense	7,037
Professional Fees	21,305
Cost of Goods for Resale	7,709
Building & Equipment Expense	47,334
Miscellaneous Expense	126,860
Total Operating Disbursements	1,812,708
Change in Cash Basis Net Assets Before Non-Operating Items	2,131,193
Non-Operating Receipts (Disbursements):	
Interest on Investments	10,988
Debt Service	(1,770,000)
Interest Expense	(131,031)
Note Proceeds	325,000
Net Non-Operating Receipts (Disbursements)	(1,565,043)
Change in Cash Basis Net Assets	566,150
Cash Basis Net Assets, Beginning of Year	96,214
Cash Basis Net Assets, End of Year	\$ 662,364

The Complex's operating receipts increased 237% or \$2,284,035. The operating disbursements decreased approximately \$5,635,055. The significant increase in receipts was primarily due to the collection of pledges and the fiscal year ended June 30, 2011 was the first complete year of operations for the Complex. The significant decrease in disbursements was primarily due to the completion of the construction of the Complex.

**BUDGETARY HIGHLIGHTS**

The highlights during this fiscal year 2011 show an operating income of \$2,131,193. The net income is \$566,150. The greatest factor for this profit is pledge income of \$3,464,723. Admissions from membership and non-member passes account for our largest operational income at \$295,602. A goal of the Cedar River Complex is to keep these memberships affordable for the public. Our dues are very low to accomplish this mission along with providing scholarships for individuals and families that need financial assistance. The Cedar River Complex is truly a community facility which also requires financial support from its owner entities to allow for access to the general public. The City of Osage and Osage Municipal Utilities contributed to help offset the cost of the swimming pool. Activities during the year included several concerts in the auditorium, a creating wellness program and expo, group fitness classes and swimming lessons along with partnerships with non-profit community groups in town to provide opportunities at a low cost to the public. Income from activities account for over \$67,000 and \$33,741 in expenses. Because the Cedar River Complex is a multifaceted facility rental spaces are available to the public again at a reasonable rate and account for \$83,714. Sales of concessions and retail items account for \$10,678 income and \$7,709 in expenses. Cost for construction during this fiscal year totaled \$967,245. The construction is complete for the Cedar River Complex. Salaries and payroll taxes account for \$312,974. This is for 7.5 full time equivalent employees in leadership roles, 4 leaders at the desk that open the facility at 5 am and work until we close the building at 9 pm along with our open hours Saturday and Sunday. There were 20 part-time lifeguards for the swimming pool and 5 part-time wellness coaches for fitness classes and personal training. Community Centers largest expenses are typically wages and often time account for 50%-65% of expenses. At the Cedar River Complex wages account for 36% during this fiscal year. There are no benefits for any employees. The second largest operational expense is utilities accounting for \$167,060 this fiscal year. Marketing is \$21,324, supplies are \$43,760, regular fees \$15,189, insurance \$41,170, professional fees \$21,305, volunteer expenses \$7,037, building and equipment \$47,334 and miscellaneous \$126,860 which accounts for sales tax, donation expense, membership NSF refunds, construction management and fundraising consulting.

**DEBT ADMINISTRATION**

At June 30, 2011, the Complex had \$1,555,000 in loans and other long-term debt outstanding, as shown below.

Outstanding Debt at Year-End	
	June 30, 2011
Construction Note	\$1,290,000
Promissory Note	265,000
	_____
Total	\$1,555,000

## **ECONOMIC FACTORS**

As we look into our next fiscal year 2012 there will be challenges with a startup business. We will complete the adjustment of our accounting system from accrual to cash basis. There will be additional professional fees associated with this change. There will also be professional fees for a pool consultant to review the operations of our pool as recommended by the State of Iowa following the drowning that happened in July 2011. Payments from pledges will continue to be received, however there will not be an active campaign during the next fiscal year, therefore our donations will decrease.

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

This financial report is designed to provide our customers and creditors with a general overview of the Complex's finances and to show the Complex's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angie Huffman, Complex Director, 809 Sawyer Drive, Osage, Iowa 50461.

## **Basic Financial Statements**

**CEDAR RIVER RECREATION & FINE ARTS COMPLEX****STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BASIS NET ASSETS**

As of and for the Year Ended June 30, 2011

Operating Receipts:	
Pledges	\$ 3,464,723
Admissions	295,602
Rent	83,714
Activities	67,218
Sales	10,678
Miscellaneous	21,966
Total Operating Receipts	<u>3,943,901</u>
Operating Disbursements:	
Capital Projects	967,245
Salaries & Benefits	312,974
Utilities	167,060
Activities	33,741
Marketing	21,324
Supplies	43,760
Regular Fees	15,189
Insurance	41,170
Volunteer Expense	7,037
Professional Fees	21,305
Cost of Goods for Resale	7,709
Building & Equipment Expense	47,334
Miscellaneous Expense	126,860
Total Operating Disbursements	<u>1,812,708</u>
Excess of Operating Receipts Over Operating Disbursements	2,131,193
Non-Operating Receipts (Disbursements):	
Interest on Investments	10,988
Debt Service	(1,770,000)
Interest Expense	(131,031)
Note Proceeds	325,000
Net Non-Operating Receipts (Disbursements)	<u>(1,565,043)</u>
Net Change in Cash Basis Net Assets	566,150
Cash Basis Net Assets, Beginning of Year	<u>96,214</u>
Cash Basis Net Assets, End of Year	<u>\$ 662,364</u>
<b>Cash Basis Net Assets</b>	
Unrestricted:	<u>\$ 662,364</u>

See Notes to Financial Statements

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies

The Cedar River Recreation and Fine Arts Complex was formed in 2006 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Complex is to build, own, and manage the Cedar River Recreation and Fine Arts Complex in Osage, Mitchell County, Iowa. The Cedar River Recreation and Fine Arts Complex began building in the fiscal year ending June 30, 2007. The operations portion of the Complex started in the fiscal year ending June 30, 2009.

The governing body of the Complex includes members, each with one vote, comprised of one person nominated by the Mayor of the City of Osage and approved by the Osage City Council, one person selected by the Osage Community School District Board of Directors, one person selected by the Mitchell County Agricultural Society, one person selected by the Osage Education Foundation, one person selected by the Mitchell County Historical Society, one person selected by the Osage Municipal Utilities Board of Trustees, one person selected at large who resides in Osage, and two persons selected at large who reside in Mitchell County, but outside the corporate limits of Osage.

#### A. Reporting Entity

For financial reporting purposes, the Cedar River Recreation and Fine Arts Complex has included all funds, organizations, agencies, boards, commissions and authorities. The Complex 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 Complex are such that exclusion would cause the Complex's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body, and (1) the ability of the Complex 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 Complex. The Complex has no component units which meet the Governmental Accounting Standards Board criteria.

#### B. Basis of Presentation

The accounts of the Complex are organized as an Enterprise Fund. Enterprise Funds are used to account for operations financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses) of providing goods or services on a continuing basis be financed or recovered primarily by user charges.

## **Notes to Financial Statements (Continued)**

---

### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **C. Measurement Focus and Basis of Accounting**

The Cedar River Recreation and Fine Arts Complex maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Complex 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 Complex in accordance with U.S. generally accepted accounting principles.

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.

#### **D. Net Assets**

The following accounting policy is followed in preparing the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

Unrestricted Cash Basis Net Assets – Funds available for the payment of the operating expenses of the Cedar River Recreation & Fine Arts Complex.

### **Note 2: Cash and Investments**

The Complex's deposits in banks at June 30, 2011 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 Complex 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 Board; 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.

Interest rate risk – Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Complex.

## Notes to Financial Statements (Continued)

---

### Note 3: Pension and Retirement Benefits

The Complex has contacted Iowa Public Employees Retirement System (IPERS) and has been informed that at this time they do not qualify for the program. The Complex does not have any other liability for Pension and Retirement Benefits. Complex employees do not earn or accumulate benefits for payment upon retirement.

### Note 4: Compensated Absences

The Complex does not have a liability for compensated absences. Complex employees do not earn or accumulated vacation or sick leave hours for payment upon termination, retirement or death.

### Note 5: Notes Payable

The Complex issued \$3,000,000 in debt during the fiscal year ended June 30, 2010 to finance the completion of construction on the Complex. The loan was provided by US Bank with guarantees from First Citizens National Bank and Home Trust and Savings Bank. The annual interest rate at issuance was 5.25%. During the fiscal year ended June 30, 2011, the Complex retired \$1,710,000 of the debt and the interest rate was decreased. Annual debt service requirement to maturity for the construction note with an annual interest rate of 3.25% is as follows:

<u>Year Ending June 30,</u>	<u>Construction Note Principal</u>
2012	\$1,290,000

On November 16, 2010, the Complex received a \$325,000 promissory note from the City of Osage. The note was issued to finance the final construction costs of the Complex. The loan was provided by the City of Osage without interest. Principal payments are due annually beginning May 1, 2011 through May 1, 2016. During the fiscal year ended June 30, 2011, the Complex retired \$60,000 of the debt. A summary of the Complex's June 30 indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2012	\$ 55,000
2013	60,000
2014	65,000
2015	65,000
2016	20,000
	<hr/>
	\$265,000
	<hr/> <hr/>

## **Notes to Financial Statements (Continued)**

---

### **Note 6: Related Party Transactions**

We noted business transactions between the complex and complex officials totaling \$4,482 during the fiscal year ended June 30, 2011.

### **Note 7: Risk Management**

The Complex 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 Complex assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the three years ended June 30, 2011.

### **Note 8: Subsequent Events**

Management evaluated subsequent events through June 28, 2012 the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to June 28, 2012, that provided additional evidence about conditions that existed at June 30, 2011, have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2011.



**Independent Auditors' 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  
Cedar River Recreation & Fine Arts Complex Board:

We have audited the accompanying financial statements of the Cedar River Recreation & Fine Arts Complex as of and for the year ended June 30, 2011, and have issued our report thereon dated June 28, 2012. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with another 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

Management of the Complex is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Complex's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cedar River Recreation & Fine Arts Complex's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cedar River Recreation & Fine Arts Complex'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 certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Cedar River Recreation & Fine Arts Complex's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items A & B to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items C and D to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cedar River Recreation & Fine Arts Complex's financial statements are 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 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 Complex's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Complex. 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 Cedar River Recreation & Fine Arts Complex's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Complex's responses, we did not audit the Cedar River Recreation & Fine Arts Complex'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 Cedar River Recreation & Fine Arts Complex and other parties to whom the Cedar River Recreation & Fine Arts Complex may report, including federal awarding agencies and pass-through entities. 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 Cedar River Recreation & Fine Arts Complex 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.

June 28, 2012

*Gardiner Thomsen, P.C.*

**Cedar River Recreation & Fine Arts Complex  
Osage, Iowa**

**Schedule of Findings**

**Year Ended June 30, 2011**

**Findings Related to the Financial Statements**

**INTERNAL CONTROL DEFICIENCIES:**

**A. Segregation of Duties**

**Finding** – 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 employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Complex’s financial statements. We noted that various functions of the Complex are performed by the same person.

**Criteria** – A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

**Condition** – Various receipt and disbursement functions are performed by the same person.

**Effect** – Transaction errors could occur and not be detected in a timely manner.

**Cause** – Limited staff available to segregate duties.

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

**Response and Corrective Action Planned** – We will review procedures as suggested. We will segregate duties as much as possible with available staff.

**B. Preparation of Full Disclosure Financial Statements**

**Finding** – During the audit, we noted that the Cedar River Recreation & Fine Arts Complex does not have the internal resources to prepare the full disclosure financial statements required by U.S. Generally Accepted Accounting Principles (GAAP) for external reporting.

**Criteria** – Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements for external reporting in conformity with U.S. Generally Accepted Accounting Principles (GAAP).

**Condition** – Management requested that Gardiner Thomsen, P.C. assist in preparing the draft of the financial statements, including footnote disclosures.

**Effect** – Although Gardiner Thomsen P.C. assists in the preparation of the full disclosure financial statements, the management of the Complex thoroughly reviews them and accepts responsibility for their completeness and accuracy.

**Cedar River Recreation & Fine Arts Complex  
Osage, Iowa**

**Schedule of Findings**

**Year Ended June 30, 2011**

**Findings Related to the Financial Statements (Continued)**

**B. Preparation of Full Disclosure Financial Statements (Continued)**

**Cause** – The Complex does not have the internal resources to prepare the full disclosure financial statements required by GAAP for external reporting.

**Recommendation** – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting is difficult. However, we recommend that Complex officials continue to review operating procedures and obtain the internal expertise needed to handle all aspects of external financial reporting, rather than rely on external assistance.

**Response and Corrective Action Planned** – We recognize our limitations, however, it is not fiscally responsible to add additional staff at this time.

**C. Certified Budget**

**Finding** – During the audit, we noted that the Cedar River Recreation & Fine Arts Complex does not prepare and adopt an annual budget.

**Criteria** – While a budget is not required, not having a budget is a control weakness.

**Condition** – The Complex handles a large amount of cash flows and has significant receipts and disbursements. A budget does not exist to determine the reasonableness of the receipts and disbursements.

**Effect** – Significant variances could be occurring and not be detected by management.

**Cause** – This was the first full fiscal year of operations for the Complex and policies and procedures are still evolving.

**Recommendation** – The Complex should adopt and approve an annual budget.

**Response and Corrective Action Planned** – We recognize the importance of establishing an annual budget. We have adopted a formal budget for the next fiscal year.

**D. Computer Systems**

**Finding** – During our review of internal control, the existing control activities in the Complex's computer system were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

**Cedar River Recreation & Fine Arts Complex  
Osage, Iowa**

**Schedule of Findings**

**Year Ended June 30, 2011**

**Findings Related to the Financial Statements (Continued)**

**D. Computer Systems (Continued)**

**Criteria** – Management is responsible for establishing and maintaining internal controls relating to computer system security.

**Condition** – The Complex does not have a written password policy instructing employees on password privacy and confidentiality or a written internet usage policy.

**Effect** – Significant variances could be occurring and not be detected by management.

**Cause** – This was the first full fiscal year of operations for the Complex and policies and procedures are still evolving.

**Recommendation** – The Complex should develop written policies addressing the above items in order to improve the Complex's control over computer systems.

**Response and Corrective Action Planned** – We recognize the importance of establishing these policies and will comply in the future.

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

**Cedar River Recreation & Fine Arts Complex  
Osage, Iowa**

**Schedule of Findings**

**Year Ended June 30, 2011**

**Other Findings Related to Required Statutory Reporting:**

1. Questionable Disbursements – No disbursements that we believe may not meet the requirement of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
2. Travel Expense – No disbursements of Complex money for travel expenses of spouses of Complex officials or employees were noted.
3. Business Transactions – Business transactions between the Complex and Complex officials or employees are detailed as follows:

Name, Title & Business Connection	Transaction Description	Amount
<b>Harlan Bremer</b> , Board Member, Son is owner of Larson’s Hardware Hank & Rental	Facility Supplies	\$4,402
<b>Mark Taets</b> , Board Member, Owner Of Mark’s Tractor & Implement	Rental	80

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with Larson’s Hardware Hank & Rental do not appear to represent a conflict of interest since Harlan Bremer did not participate in the acquisition of these goods and services. The transactions with Mark’s Tractor & Implement do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

4. Bond Coverage – Surety bond coverage of Complex officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
5. Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, minutes publications did not include the total disbursements or a summary of receipts as required by Chapter 372.13 of the Code of Iowa during the fiscal period ending June 30, 2011. Additionally board minutes are not being published within 15 days.

Recommendation – The Complex should publish minutes as required by the Code of Iowa.

Response – We will do so.

**Cedar River Recreation & Fine Arts Complex  
Osage, Iowa**

**Schedule of Findings**

**Year Ended June 30, 2011**

**Other Findings Related to Required Statutory Reporting: (Continued)**

*Conclusion* – Response accepted.

- 6.** Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted except the Complex has not adopted a written investment policy in compliance with the provisions of Chapter 12B.10B of the Code of Iowa.

*Recommendation* – The Complex should adopt a written investment policy.

*Response* – We will do so.

*Conclusion* – Response accepted.

## NEWS RELEASE

Gardiner Thomsen, P.C. today released an audit report on the Cedar River Recreation & Fine Arts Complex.

The Complex has operating receipts of \$3,943,901 for the year ended June 30, 2011, a 237% increase from the prior year. The receipts included \$3,464,723 in pledges, \$295,602 in admissions and \$83,714 in rent.

Operating disbursements for the year totaled \$1,812,708 a 76% decrease from the prior year, and included \$967,245 in capital projects disbursements, \$312,974 in salaries and benefits and \$167,060 in utilities disbursements.

The significant increase in operating receipts is due primarily to the collection of pledges. The significant decrease in operating disbursements is primarily due to the completion of the construction of the facility.

A copy of the audit report is available for review in the office of the Cedar River Recreation & Fine Arts Complex, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/index.html>.