

CORNER COUNTIES EARLY CHILDHOOD AREA

**INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2012

CORNER COUNTIES EARLY CHILDHOOD AREA

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CORNER COUNTIES EARLY CHILDHOOD AREA
 Officials
 June 30, 2012

<u>Board Members</u>	<u>Address</u>	<u>Term Expires</u>
Margaret Johnson, Chair	Sidney, Iowa	June, 2014
Bill Lawrence, Vice-Chair	Clarinda, Iowa	June, 2015
Jill Travis	Sidney, Iowa	June, 2013
Mel Hurst	Hamburg, Iowa	June, 2015
Paul Berning	Shenandoah, Iowa	June, 2013
Marlene Bashaw	Shenandoah, Iowa	June, 2014
Dennis James	Tabor, Iowa	June, 2015
Kim Behrens (resigned May, 2012)	Villisca, Iowa	--
Jayne Wilson (resigned May, 2012)	Clarinda, Iowa	--
 <u>Executive Director</u>		
Michelle Wodtke Franks	Hastings, Iowa	
Pam Herzberg (resigned February, 2012)	Clarinda, Iowa	

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Board Members of
Corner Counties Early Childhood Area

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Corner Counties Early Childhood Area as of and for the year ended June 30, 2012, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America: this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board Members of
Corner Counties Early Childhood Area

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

The financial statements of the Corner Counties Early Childhood Area have not been audited for prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2011, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Corner Counties Early Childhood Area, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

The Organization has omitted the Management's Discussion and Analysis (MD&A), that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated September 9, 2013 on our consideration of Corner Counties Early Childhood Area's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 important for assessing the results of our audit.

Demerold, Bell, Kuylen & Co. P.C.

Atlantic, Iowa
September 9, 2013

CORNER COUNTIES EARLY CHILDHOOD AREA
Statement of Net Assets
June 30, 2012

ASSETS

Cash	\$ 45,343
Total assets	<u>\$ 45,343</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 13,816
Net Assets:	
Restricted	<u>31,527</u>
Total liabilities and net assets	<u>\$ 45,343</u>

The accompanying notes are an integral part of these statements.

CORNER COUNTIES EARLY CHILDHOOD AREA
Statement of Activities
Year ended June 30, 2012

	Expenses	Operating Grants and Restricted Interest	Net (Expense) Revenue and Change in Assets
Functions/Programs:			
Governmental activities:			
Early childhood	\$ 25,272	\$ 35,844	\$ 10,572
Family support and parent education	118,067	117,566	(501)
Preschool support for low-income families	43,258	51,620	8,362
Quality improvement	33,734	36,886	3,152
Other program services	13,276	12,053	(1,223)
Administration	8,687	8,632	(55)
Other revenues:			
Donations	--	75	75
Interest	--	62	62
Total	<u>\$ 242,294</u>	<u>\$ 262,738</u>	20,444
Net assets beginning of year			<u>11,083</u>
Net assets end of year			<u>\$ 31,527</u>

The accompanying notes are an integral part of these statements.

CORNER COUNTIES EARLY CHILDHOOD AREA
 Balance Sheet
 Governmental Funds
 June 30, 2012

	Special Revenue		
	Early Childhood	School Ready	Total
Assets:			
Cash	\$ 18,054	\$ 27,289	\$ 45,343
Total assets	\$ 18,054	\$ 27,289	\$ 45,343
Liabilities and Fund Balances:			
Accounts payable	\$ 4,876	\$ 8,940	\$ 13,816
Fund balances:			
Restricted for grant purposes	13,178	18,349	31,527
Total liabilities and fund balances	\$ 18,054	\$ 27,289	\$ 45,343

The accompanying notes are an integral part of these statements.

CORNER COUNTIES EARLY CHILDHOOD AREA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2012

	Special Revenue		Total
	Early Childhood	School Ready	
Revenues:			
State of Iowa Grants:			
Early childhood	\$ 35,844	\$ --	\$ 35,844
Family support and parent education	--	117,566	117,566
Preschool support for low-income families	--	51,620	51,620
Quality improvement	--	36,886	36,886
Other program services	--	12,053	12,053
Allocation for administration	1,886	6,746	8,632
Total State of Iowa Grants	37,730	224,871	262,601
Donations	--	75	75
Interest	8	54	62
	37,738	225,000	262,738
Total Revenues			
Expenditures:			
Program Services:			
Early childhood	25,272	--	25,272
Family support and parent education	--	118,067	118,067
Preschool support for low-income families	--	43,258	43,258
Quality improvement	--	33,734	33,734
Other program services	--	13,276	13,276
Total program services	25,272	208,335	233,607
Administration	1,100	7,587	8,687
	26,372	215,922	242,294
Total Expenditures			
Net Change in Fund Balances	11,366	9,078	20,444
Fund Balances, Beginning of Year	1,812	9,271	11,083
Fund Balances, End of Year	\$ 13,178	\$ 18,349	\$ 31,527

The accompanying notes are an integral part of these statements.

CORNER COUNTIES EARLY CHILDHOOD AREA
Notes to Financial Statements
June 30, 2012

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Significant Accounting Policies

The Corner Counties Early Childhood Area (Organization) is an unincorporated association established under Chapter 256I.8(1a) of the Code of Iowa. The goal of the Organization is to improve the well-being and quality of life for young children, age 0-5, and their families, reduce barriers to community efforts and improve the efficiency and effectiveness of local education, health and human services programs. The Organization is funded by allocations of federal and state block grants.

The Organization is governed by an autonomous Board composed of no fewer than seven and no more than thirteen members. The Board members shall be elected officials of, or individuals who work or reside in, Fremont and Page counties. Board members are elected by a majority vote of the existing Board and serve for three year terms. The Board shall include representation from early care, education, health, human services, business and faith interest, and at least one parent, grandparent or guardian of a child from zero to age five.

The Organization designated the Clarinda Foundation as its fiscal agent to administer the grant funds as permitted by Chapter 256I.8(1a) of the Code of Iowa.

The Organization's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of Corner Counties Early Childhood Area are intended to present the financial position and the changes in financial position of only that portion of the fiscal agent's financial activity attributable to the transactions of the Early Childhood and School Ready grants, which are reported in separate special revenue funds.

2. Reporting Entity

For financial reporting purposes, the Corner Counties Early Childhood Area has included all funds, organizations, agencies, boards, commissions, and authorities. The Organization 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 Organization are such that exclusion would cause the Organization's financial statements 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 Organization 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 Organization. The Organization has no component units which meet the Governmental Accounting Standards board criteria.

CORNER COUNTIES EARLY CHILDHOOD AREA
Notes to Financial Statements
June 30, 2012

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

3. Basis of Presentation

Entity-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of the Organization.

The Statement of Net Assets presents the Organization's assets and liabilities, with the difference reported as net assets. Net assets are reported in the following category:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function.

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Organization reports the following major governmental funds:

Special Revenue:

The Early Childhood Fund is used to account for funds allocated from the Iowa Department of Human Services to enhance the capacity and quality of child care services to help parents obtain or retain employment.

The School Ready Fund is used to account for funds allocated from the Iowa Department of Education to support a comprehensive school ready children plan designed by the Area Board.

CORNER COUNTIES EARLY CHILDHOOD AREA
Notes to Financial Statements
June 30, 2012

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

4. Measurement Focus and Basis of Accounting

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Organization considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measureable and available only when cash is received by the Organization.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

5. Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the restricted classification.

6. Cash

The Organization's deposits in bank at June 30, 2012 were entirely covered by federal depository insurance.

CORNER COUNTIES EARLY CHILDHOOD AREA
Notes to Financial Statements
June 30, 2012

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

7. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. Risk Management

The Organization is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance in any of the past three fiscal years.

9. Subsequent Events

Management has evaluated subsequent events through September 9, 2013, the date which the statements were available to be issued.

* * *

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

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 Board Members of
Corner Counties Early Childhood Area

We have audited the accompanying financial statements of Corner Counties Early Childhood Area as of and for the year ended June 30, 2012, and have issued our report thereon dated September 9, 2013. Our report expressed qualified opinions on the financial statements since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Corner Counties Early Childhood Area is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Corner Counties Early Childhood Area'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 Corner Counties Early Childhood Area's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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, 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 that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board Members of
Corner Counties Early Childhood Area

A significant deficiency is a deficiency or 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 deficiency described in Part I of the accompanying Schedule of Findings as item 12-I-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corner Counties Early Childhood Area'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 or other matters that are required to be reported under Government Auditing Standards.

Responses to Findings

Corner Counties Early Childhood Area's response to findings identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the Organization's response, we did not audit the Organization's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Corner Counties Early Childhood Area and other parties to whom the Organization 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.

Acronwald, Bell, Kuylen + Co. P.C.

Atlantic, Iowa
September 9, 2013

CORNER COUNTIES EARLY CHILDHOOD AREA
Schedule of Findings
Year Ended June 30, 2012

PART I - REPORTABLE CONDITIONS

12-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Organization. However, this situation is common in small organizations.

Recommendation: We recognize that it may not be economically feasible for the Organization to contract for additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board members be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board members are aware of this lack of segregation of duties, but it is not economically feasible for the Organization to contract for additional personnel for this reason. The Board members will continue to act as an oversight group.

Conclusion: Response accepted.

* * *