

**ADLM FACILITIES MANAGEMENT  
SYSTEMS COMMISSION**

Independent Auditors' Reports  
Financial Statement and  
Required Supplementary Information  
Schedule of Findings and Responses

June 30, 2013

# ADLM FACILITIES MANAGEMENT SYSTEMS COMMISSION

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# ADLM FACILITIES MANAGEMENT SYSTEMS COMMISSION

## Commission Members

<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

## Officials

Bill Milani	Co-Director
Dianna Daly-Husted	Co-Director

Offices located in:  
**Burlington**  
(319) 753-9877  
**Cedar Rapids**  
(319) 393-2374  
**Centerville**  
(641) 437-4296  
**Fairfield**  
(641) 472-6171  
**Mt. Pleasant**  
(319) 385-3026



**TD&T CPAs and Advisors, P.C.**  
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Offices located in:  
**Muscatine**  
(563) 264-2727  
**Oskaloosa**  
(641) 672-2523  
**Ottumwa**  
(641) 683-1823  
**Pella**  
(641) 628-9411

## Independent Auditors' Report

To the Members of ADLM Facilities Management  
Systems Commission

We have audited the accompanying statement of cash receipts, disbursements and changes in cash basis net assets of the ADLM Counties Environmental Public Health Agency, as of and for the year ended June 30, 2013, and the related notes to the financial statement.

### **Management's Responsibility for the Financial Statement**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the ADLM Counties Environmental Public Health Agency as of June 30, 2013, and the changes in its cash basis financial position for the year then ended in conformity with the cash basis of accounting described in Note 1.

## **Basis of Accounting**

As described in Note 1, this financial statement is prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## **Report on Internal Control Over Compliance**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013 on our consideration of the ADLM Counties Environmental Public Health Agency' 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 financing 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 6 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 supplementary information. We did not audit the information and express no opinion on it.

*TDE&T CPAs and Advisors, P.C.*

Oskaloosa, Iowa  
December 18, 2013

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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 is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

## FINANCIAL HIGHLIGHTS

- The Commission's operating receipts increased \$23,584 from fiscal 2012 to fiscal 2013.
- The Commission's operating disbursements were \$2,729 less in fiscal 2013 than in fiscal 2012.
- The Commission's non-operating receipts decreased \$1,040,097 from fiscal 2012 to fiscal 2013.
- The Commission's non-operating disbursements were \$691,904 less in fiscal 2013 than in fiscal 2012.
- The Commission's cash basis net assets decreased \$174,682, from June 30, 2012 to June 30, 2013.

## 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 accounting principles generally accepted in the United States of America. 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 ADLM Facilities Management Systems Commission's financial statement. The annual report consists of the financial statement and other information, as follows:

Management's Discussion and Analysis introduces the basic 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.

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 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 for waste water billings and other general receipts. Operating disbursements are disbursements paid to operate the Commission. Non-operating receipts and disbursements are for debt proceeds, capital projects, and debt service. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2013 and 2012 are presented below:

Changes in Cash Basis Net Assets		
	<u>Year ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Operating receipts:		
Waste water billings	\$ 45,087	21,503
Total operating receipts	<u>45,087</u>	<u>21,503</u>
Operating disbursements:		
Waste water testing and billing	3,233	3,666
Equipment and maintenance	3,110	1,848
Management fees	3,080	2,560
Miscellaneous	<u>126</u>	<u>4,204</u>
Total operating disbursements	<u>9,549</u>	<u>12,278</u>
Excess of operating receipts over operating disbursements	<u>35,538</u>	<u>9,225</u>
Non-operating receipts (disbursements):		
State revolving fund proceeds-Honey Creek	-	605,959
State revolving fund proceeds-Davis County sewer	2,733	95
Received from (disbursed to) Public Health	(2,534)	6,718
Iowa DNR grant proceeds	10,526	-
USDA RD grant proceeds – North Shore Phase I	40,082	482,655
Construction of Honey Creek project	(250,844)	(947,502)
Construction of Davis County sewer project	(2,524)	(304)
Miscellaneous	1,989	-
Sewer revenue bond payments	<u>(9,648)</u>	<u>(9,648)</u>
Net non-operating receipts (disbursements)	<u>(210,220)</u>	<u>137,973</u>
Net change in cash basis net assets	(174,682)	147,198
Cash basis net assets beginning of year	<u>195,992</u>	<u>48,794</u>
Cash basis net assets end of year	\$ <u>21,310</u>	<u>195,992</u>

	<u>Year ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Cash Basis Net Assets		
Unrestricted	\$ <u>21,310</u>	<u>195,992</u>

In fiscal year 2013, operating receipts increased approximately \$23,584 over fiscal year 2012. In fiscal year 2013, operating disbursements decreased approximately \$2,729. The increase in operating receipts was primarily due to new service to the City of Iconium.

### **LONG-TERM DEBT**

At June 30, 2013, the Commission had a utilities system revenue bond outstanding totaling approximately \$170,000, three Iowa Finance Authority loans outstanding with a total balance of approximately \$115,000, and \$280,000 of sewer revenue bonds. Additional information about the Commission’s long term debt is presented in Notes 5 and 6 to the financial statement.

### **ECONOMIC FACTORS**

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 ongoing challenge to maintain up to date technology at a reasonable cost.

### **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 the Commission’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact ADLM Facilities Management Systems Commission, 12307 Highway 5, Moravia, Iowa 52571.

**ADLM FACILITIES MANAGEMENT  
SYSTEMS COMMISSION**

**Statement of Cash Receipts, Disbursements and  
Changes in Cash Basis Net Assets  
Year Ended June 30, 2013**

Operating receipts:	
Waste water billings	\$ 45,087
Total operating receipts	<u>45,087</u>
Operating disbursements:	
Waste water testing and billing	3,233
Equipment and maintenance	3,110
Management fees	3,080
Miscellaneous	126
Total operating disbursements	<u>9,549</u>
Excess of operating receipts over operating disbursements	<u>35,538</u>
Non-operating receipts (disbursements):	
State revolving fund proceeds-Davis County sewer	2,733
Received from (disbursed to) Public Health	(2,534)
Iowa DNR grant proceeds	10,526
USDA RD grant proceeds - North Shore Phase I	40,082
Construction of Honey Creek project	(250,844)
Construction of Davis County sewer project	(2,524)
Miscellaneous	1,989
Sewer revenue bond payments:	
Principal	(2,062)
Interest	(7,586)
Net non-operating disbursements	<u>(210,220)</u>
Net change in cash basis net assets	(174,682)
Cash basis net assets beginning of year	<u>195,992</u>
Cash basis net assets end of year	\$ <u><u>21,310</u></u>
<b>Cash Basis Net Assets</b>	
Unrestricted	\$ <u><u>21,310</u></u>

See accompanying notes to financial statement.

# ADLM FACILITIES MANAGEMENT SYSTEMS COMMISSION

## Notes to Financial Statement June 30, 2013

### Note 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, 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 Agency are such that exclusion would cause the Agency'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. ADLM Facilities Management Systems Commission has no component units which meet the GASB criteria.

#### B. Basis of Presentation

The accounts of ADLM Facilities Management Systems 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.

(continued)

ADLM FACILITIES MANAGEMENT  
SYSTEMS COMMISSION

Notes to Financial Statement (Continued)  
June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The 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 accounting principles generally accepted in the United States of America.

D. Date of Management Review

Management has evaluated subsequent events through December 18, 2013, the date which the financial statement was available to be issued.

Note 2 – Cash

The Commission's deposits in banks at June 30, 2013, 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 depositories to ensure 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, or FASB ASC Subtopic 820-10, Fair Value Measurements as amended by Statement No. 40.

# ADLM FACILITIES MANAGEMENT SYSTEMS COMMISSION

## Notes to Financial Statement (Continued) June 30, 2013

### Note 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 5.78% of their annual covered salary and the Commission is required to contribute 8.67% for the year ended June 30, 2013, 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, 2013.

### Note 4 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omission; 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 four fiscal years.

### Note 5 – Utilities System Revenue Bonds

On May 1, 2008, the Commission entered into a utilities system revenue bond with the U.S. Department of Agriculture for \$175,000 to finance a portion of the costs to construct plants and systems necessary for sanitary sewer services and waste water collection, including the collection, treatment and disposal of sewage and liquid waste for the City of Plano, including the refunding of the sewer revenue bond anticipation note. Principal and interest on the bond require equal monthly payments of \$804, with interest at 4.5% per annum, commencing on August 1, 2009 and continuing through 2047. The balance, if not sooner paid, of principal and interest will become due and payable on January 2, 2048. During the year ended June 30, 2013, the Commission paid bond principal and interest of \$9,648. The bond has an outstanding balance of \$167,448 June 30, 2013 and is due as follows:

(continued)

**ADLM FACILITIES MANAGEMENT  
SYSTEMS COMMISSION**

**Notes to Financial Statement (Continued)  
June 30, 2013**

Note 5 – Utilities System Revenue Bonds (Continued)

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,157	7,491	9,648
2015	2,256	7,392	9,648
2016	2,339	7,309	9,648
2017	2,467	7,181	9,648
2018 – 2020	8,083	20,861	28,944
2021 – 2025	16,159	32,081	48,240
2026 – 2030	20,229	28,011	48,240
2031 – 2035	25,324	22,916	48,240
2036 – 2040	31,696	16,544	48,240
2041 – 2045	39,693	8,547	48,240
2046 – 2047	<u>17,045</u>	<u>750</u>	<u>17,795</u>
Total	\$ <u>167,448</u>	<u>159,083</u>	<u>326,531</u>

On June 19, 2012, the Commission entered into a taxable sewer revenue bond with the U.S. Department of Agriculture for \$280,000 to finance a portion of the costs to acquire and construct plants and systems necessary for sanitary sewer services for Appanoose County (the “Rathbun Lake North Shore Sewer System”), including the refunding of the sewer revenue bond anticipation note. Interest only payments of \$466.67 per month commence on July 26, 2012 and continue to June 26, 2013. Principal and interest on the bond require equal monthly payments of \$863, with interest at 2% per annum, commencing on July 26, 2013 and continuing through 2052. The bond has an outstanding balance of \$280,000 at June 30, 2013 and is due as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$4,800	5,556	10,356
2015	4,897	5,459	10,356
2016	4,996	5,360	10,356
2017 – 2019	15,599	15,469	31,068
2020 – 2024	28,171	23,609	51,780
2025 – 2029	31,131	20,649	51,780
2030 – 2034	34,402	17,378	51,780
2035 – 2039	38,016	13,764	51,780
2040 – 2044	42,012	9,768	51,780
2045 – 2049	46,427	5,353	51,780
2050 – 2052	<u>29,549</u>	<u>902</u>	<u>30,451</u>
Total	\$ <u>280,000</u>	<u>123,267</u>	<u>403,267</u>

# ADLM FACILITIES MANAGEMENT SYSTEMS COMMISSION

## Notes to Financial Statement (Continued) June 30, 2013

### Note 6 – Iowa Finance Authority Notes

The Commission signed three agreements with the Iowa Finance Authority allowing the Commission to borrow up to \$304,000 for the planning and design of the sewer projects in Davis County and at Honey Creek. There are two loans for the Davis County sewer project. The first loan originated on October 27, 2010, with a maximum borrowing amount of \$37,500, and had a balance of \$27,810 on June 30, 2013. The second loan originated on April 21, 2011, with a maximum borrowing amount of \$52,000, and had a balance of \$18,979 on June 30, 2013. Both loans are due three years after the origination date, or are to be paid off as soon as permanent financing is obtained for the construction. The Honey Creek project loan originated on September 30, 2009, with a maximum borrowing amount of \$214,500, and had a balance of \$68,325 on June 30, 2013. This maturity date is three years after the origination date, or as soon as permanent financing is obtained for construction. All three loans are subject to a 0% interest rate.

### Note 7 – Related Party Transactions

ADLM Counties Facilities Management Commission shares Commission members, employees, and office space with ADLM Counties Environmental Public Health Agency. During the year ended June 30, 2013, \$13,183 was paid to ADLM Counties Environmental Public Health Agency for reimbursement of employee time and mileage.

### Note 8 – Commitments

The Commission is currently working on sewer projects in Davis County and at Honey Creek. These projects are currently being financed by the Iowa Finance Authority and U.S. Department of Agriculture per the terms described in Note 6. The total estimated costs of these projects are \$4,499,000. Total estimated costs remaining on these projects are \$3,379,787.

### Note 9 – Subsequent Events

Subsequent to year-end, the Commission approved costs of \$29,700 for the installation of flow meters.

During the year ended June 30, 2013, the Director of the Commission discovered and reported fraud by prior management related to falsified income reports used to apply for funding from a federal agency. The matter was investigated by the U.S. Office of Inspector General (OIG). Subsequent to year end, the OIG's investigation was completed, and no action was taken against the Commission as the individuals responsible are no longer employed by the Commission.

**ADLM FACILITIES MANAGEMENT  
SYSTEMS COMMISSION**

**Supplemental Information  
Independent Auditors' Reports on Internal Control and Compliance  
Schedule of Findings and Responses**

**June 30, 2013**

Offices located in:  
**Burlington**  
(319) 753-9877  
**Cedar Rapids**  
(319) 393-2374  
**Centerville**  
(641) 437-4296  
**Fairfield**  
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**Mt. Pleasant**  
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**Pella**  
(641) 628-9411

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 ADLM Facilities  
Management Systems Commission

We have audited, in accordance with the 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, the financial statement of ADLM Counties Facilities Management Commission, which comprise the financial statement as listed in the table of contents as of and for the year ended June 30, 2013, and have issued our report thereon dated December 18, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered ADLM Facilities Management Systems Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ADLM Facilities Management Systems Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of ADLM Facilities Management Systems Commission's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given those limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described as 2013-1 in the accompanying schedule of finding and response that we consider to be a significant deficiency in internal control.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether ADLM Counties Facilities Management Commission financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2013, 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.

## **ADLM Counties Facilities Management Commission's Response to Findings**

ADLM Counties Facilities Management Commission's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. ADLM Counties Facilities Management Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report, a public record by law, is intended solely for the information and use of the members and customers of 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 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.

*TDE&T CPAs and Advisors, P.C.*

Oskaloosa, Iowa  
December 18, 2013

ADLM FACILITIES MANAGEMENT  
SYSTEMS COMMISSION  
Schedule of Findings and Responses  
For the Year Ended June 30, 2013

- I. The following are findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards.

Significant Deficiency

**Finding 2013-1: Segregation of Duties** – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one person has control over each of the following areas for the Commission:

1. Accounting System – record keeping for revenues and expenses, and related reporting.
2. Receipts – collecting, depositing, journalizing and posting.
3. Payroll – changes to master list, preparation and distribution.
4. Bank Reconciliation – preparation and maintenance of accounting records.

Cause – The Commission has a limited number of personnel to implement the accounting and reporting systems within the Commission.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. The Commission should continue to have the manager or another official review receipts, posting, and payroll on a test basis and bank reconciliations monthly.

Response – We will continue to have the manager or another official review receipts, posting, and payroll on a test basis and bank reconciliations monthly.

Conclusion – Response accepted.

- II. There were no instances of noncompliance reported.

Other Findings Related to Statutory Reporting:

- (A) Official Depositories – The Commission has adopted a resolution naming official depositories and the depository amount was not exceeded.
- (B) Questionable Expenses – No expenses that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (C) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (D) Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (E) Deposits and Investments – No instance of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.

# ADLM FACILITIES MANAGEMENT SYSTEMS COMMISSION

## Staff

This audit was performed by:

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