

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

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENT  
SCHEDULE OF FINDINGS

June 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
<b>OFFICIALS</b> .....	1
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	2-3
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	4-7
<b>BASIC FINANCIAL STATEMENT:</b>	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balances.....	A.....8
Notes to Financial Statement .....	9-12
<b>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</b> .....	13-14
<b>SCHEDULE OF FINDINGS</b> .....	15-17

# CEDAR RIVER RECREATION & FINE ARTS COMPLEX

## Officials

For the Year Ending June 30, 2013

<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
Connie Berge .....	Treasurer	
Harlan Bremer.....	Board Member .....	Osage Municipal Utilities
Krista Koschmeder.....	Board Member .....	Mitchell County Historical Society
Mark Taets.. .....	Board Member .....	Mitchell County Agricultural Society
Mark Penney .....	At Large .....	Within Osage City Limits
Beth Bellairs.....	At Large .....	Outside Osage City Limits
Karl Theis.....	At Large .....	Outside Osage City Limits
Beth Blumberg.....	Director	



## **Independent Auditor's Report**

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

### **Report on the Financial Statement**

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, 2013, and the related notes to the financial statements, which collectively comprise the Complex'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 the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 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 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 entity'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 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 statements.

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 statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities of the Cedar River Recreation & Fine Arts Complex as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Cedar River Recreation & Fine Arts Complex's basic financial statements. The management's discussion and analysis on page 4 through 7, which are the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2013, on our consideration of the Cedar River Recreation & Fine Arts Complex's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cedar River Recreation & Fine Arts Complex's internal control over financial reporting and compliance.

October 11, 2013

*Gardiner Thomson, P.C.*

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

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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, 2013. We encourage readers to consider this information in conjunction with the Complex's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- Operating receipts of the Complex increased 9.78% or \$66,681 from fiscal year 2012 to fiscal year 2013. Complex support increased \$64,565 while sales increased \$20,231 and donations decreased \$11,658.
- Operating disbursements of the Complex decreased 18.56% or approximately \$166,091 in fiscal year 2013 from fiscal year 2012. Salaries and benefits decreased \$49,257 while activities disbursements decreased \$25,302.
- The Complex's total cash basis net position increased 7.01% or approximately \$24,924 from June 30, 2012 to June 30, 2013.

### **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 slightly from a year ago, increasing from \$355,332 to \$380,256.

### Changes in Cash Balances

	Year Ended June 30,	
	2013	2012
<b>Operating Receipts:</b>		
Complex Support	\$ 223,146	\$ 158,581
Admissions	294,024	307,088
Rent	100,792	87,282
Activities	40,684	49,856
Sales	31,481	11,250
Donations	29,677	41,335
Miscellaneous	28,408	26,139
<b>Total Operating Receipts</b>	<b>748,212</b>	<b>681,531</b>
<b>Operating Disbursements:</b>		
Capital Projects	0	37,207
Salaries and Benefits	329,855	379,112
Utilities	140,529	155,510
Activities	5,658	30,960
Marketing	1,522	3,066
Supplies	27,917	35,608
Regular Fees	10,191	9,009
Insurance	41,377	42,369
Board Administration	17,486	0
Volunteer Expense	792	977
Professional Fees	20,111	34,758
Cost of Goods for Resale	13,983	9,867
Building and Equipment Expense	16,699	23,302
Miscellaneous Expense	102,507	132,973
<b>Total Operating Disbursements</b>	<b>728,627</b>	<b>894,718</b>
<b>Change in Cash Balances Before Non-Operating</b>	<b>19,585</b>	<b>(213,187)</b>
<b>Non-Operating Receipts (Disbursements):</b>		
Interest on Investments	2,099	4,282
Pledges	239,906	674,433
Debt Service	(218,546)	(730,435)
Interest Expense	(18,120)	(42,125)
<b>Net Non-Operating Receipts (Disbursements)</b>	<b>5,339</b>	<b>(93,845)</b>
<b>Net Change in Cash Balances</b>	<b>24,924</b>	<b>(307,032)</b>
<b>Cash Balances, Beginning of Year</b>	<b>355,332</b>	<b>662,364</b>
<b>Cash Balances, End of Year</b>	<b>\$ 380,256</b>	<b>\$ 355,332</b>

The Complex's operating receipts increased 9.78% or \$66,681. The operating disbursements decreased approximately \$166,091. The increase in receipts was primarily due to the increased pool support. The Complex also assumed the responsibility for the liquor sales at the Events Center, with sales receipts increasing by \$20,231. The decrease in disbursements was primarily due to a decrease in salary and benefits paid during the year. Activities disbursements also decreased significantly, partially due to the discontinuation of partnership activities.

**BUDGETARY HIGHLIGHTS**

Many of the challenges the Cedar River Recreation & Fine Arts Complex faced in fiscal year 2012 showed improvement in 2013. Membership is holding steady with an average over 800 memberships and over 2,000 members. Our memberships come from 22 different zip codes. We had 174 memberships cancel and 167 new memberships during the year. We saw an increase of 48% in non-member passes. We contribute this increase to the fact the Cedar River Recreation & Fine Arts Complex is becoming a destination for many from outside of Osage.

Although our income from memberships was down 4%, our total income increased 10%. Significant factors in this increase were a higher number of rentals in all areas of the Cedar River Recreation & Fine Arts Complex, a large increase in fitness class participation, (mainly due to the additional of our spin bike classes) and the addition of our management of the liquor license at the Events Center. Our total expenses this year were down almost 19%. The Cedar River Recreation & Fine Arts Complex team, including the board and employees, worked together to create a strong budget. As a result the year ended in the black. The team is pleased and proud with the progress made in fiscal year 2013.

**DEBT ADMINISTRATION**

At June 30, 2013, the Complex had \$606,019 in loan and other long term debt outstanding compared to \$824,565 last year as shown below.

Outstanding Debt at Year-End		
	2013	2012
Construction Note	<u>\$401,019</u>	<u>\$559,565</u>
Promissory Note	<u>205,000</u>	<u>265,000</u>
Total	<u><u>\$606,019</u></u>	<u><u>\$824,565</u></u>

## **ECONOMIC FACTORS**

As we enter our 4<sup>th</sup> year of operation, we anticipate an increase in equipment and facility repair and replacement. We have put a preventative maintenance program into place for the fitness equipment and hope to create a plan for funding future equipment purchases. The Cedar River Recreation & Fine Arts Complex has seen an increase in pool repairs over the last year and plan to meet with the City of Osage to discuss future repairs and whose responsibility it will be. The agreements made with the Historical Society and Ag Society cover two years, so discussions on these agreements will take place at the end of fiscal year 2014. We are currently in the search for a Resource Development Coordinator. We anticipate to fill this position by October 2013. One goal of the Cedar River Recreation & Fine Arts Complex is to keep memberships affordable for the public. Our dues are very low in comparison to other community centers and fitness centers in Northeast Iowa. Membership rates for fiscal year 2013 will not be increased as a way to attract and retain members.

## **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 Beth Blumberg, Complex Director, 809 Sawyer Drive, Osage, Iowa 50461.

## **Basic Financial Statement**

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

As of and for the Year Ended June 30, 2013

Operating Receipts:	
Complex Support	\$ 223,146
Admissions	294,024
Rent	100,792
Activities	40,684
Sales	31,481
Donations for Operations	29,677
Miscellaneous	28,408
Total Operating Receipts	<u>748,212</u>
Operating Disbursements:	
Salaries and Benefits	329,855
Utilities	140,529
Activities	5,658
Marketing	1,522
Supplies	27,917
Regular Fees	10,191
Insurance	41,377
Board Administration	17,486
Volunteer Expense	792
Professional Fees	20,111
Cost of Goods for Resale	13,983
Building and Equipment Expense	16,699
Miscellaneous Expense	102,507
Total Operating Disbursements	<u>728,627</u>
Excess of Operating Receipts Over Operating Disbursements	19,585
Non-Operating Receipts (Disbursements):	
Interest on Investments	2,099
Pledges	239,906
Debt Service	(218,546)
Interest Expense	(18,120)
Net Non-Operating Receipts (Disbursements)	<u>5,339</u>
Net Change in Cash Balances	24,924
Cash Balances, Beginning of Year	<u>355,332</u>
Cash Balances, End of Year	<u>\$ 380,256</u>
<b>Cash Basis Fund Balance</b>	
Unrestricted	<u>\$ 380,256</u>

See Notes to Financial Statements

## Notes to Financial Statements

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### 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)

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### 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. Cash Basis Fund Balances

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

Unrestricted Cash Balances – 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, 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 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)

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### 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

Complex employees accumulate a limited amount of earned but unused vacation hours for subsequent payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Complex until used or paid. The Complex's approximate liability for earned vacation leave payable to employees at June 30, 2013 is as follows:

Vacation	<u>\$4,803</u>
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This liability has been computed based on rates of pay in effect at June 30, 2013.

### 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 CUS Bank with guarantees from First Citizens National Bank and Home Trust and Savings Bank. The annual interest rate at issuance was 5.25% and was decreased to 3.25% during to the fiscal year ended June 30, 2011. During the fiscal year ended June 30, 2013, the Complex retired \$218,546 of the debt. 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> 2014	<u>Construction Note Principal</u> \$401,019
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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, 2017. During the fiscal year ended June 30, 2012, the Complex did not retire any of the debt. The City of Osage reissued the debt document to move the May 1, 2012 payment that was not received to be due May 1, 2017. A summary of the Complex's June 30 indebtedness is as follows:

## Notes to Financial Statements (Continued)

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### Note 5: Notes Payable (Continued)

<u>Year Ending June 30,</u>	<u>Principal</u>
2014	\$ 65,000
2015	65,000
2016	20,000
2017	55,000
	<hr/>
	\$205,000
	<hr/> <hr/>

### Note 6: Related Party Transactions

We noted business transactions between the complex and complex officials totaling \$1,616 during the fiscal year ended June 30, 2013.

### 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, 2013.

### Note 8: Subsequent Events

Management has evaluated subsequent events through October 11, 2013, the date which the financial statements were available to be issued.



**Gardiner Thomsen**  
Certified Public Accountants

**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

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

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 statements of the business type activities as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Cedar River Recreation & Fine Arts Complex's basic financial statements and have issued our report thereon dated October 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cedar River Recreation & Fine Arts Complex'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 the Cedar River Recreation & Fine Arts Complex's internal control. Accordingly, we do not express an opinion on the effectiveness of Cedar River Recreation & Fine Arts Complex's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 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 deficiency described in the accompanying Schedule of Findings as item A to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings as item B to be a significant deficiency.

#### 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, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings.

#### Cedar River Recreation & Fine Arts Complex's Response to Findings

The Cedar River Recreation & Fine Arts Complex's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Cedar River Recreation & Fine Arts Complex's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

This 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 Cedar River Recreation & Fine Arts Complex'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 Cedar River Recreation & Fine Arts Complex's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 11, 2013

*Gardiner Thomsen, P.C.*

Charles City, Iowa

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

**Schedule of Findings**

**Year Ended June 30, 2013**

**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 the basis of cash receipts and disbursements, which is a basis of accounting other than 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 the basis of cash receipts and disbursement which is a basis of accounting other than 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 (Continued)**

**Year Ended June 30, 2013**

**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 the basis of cash receipts and disbursements which is a basis of accounting other than 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.

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

**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 and Business Connection	Transaction Description	Amount
<b>Harlan Bremer</b> , Board Member Son is owner of Larson’s Hardware Hank & Rental	Facility Supplies	\$1,030
<b>Emilee VanMeeteren</b> , Manager Bill VanMeeteren, Father	Supplies to Build Events Center Bar	586

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

**Schedule of Findings (Continued)**

**Year Ended June 30, 2013**

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

3. In accordance with Chapter 362.5 of the Code of Iowa, the transactions with Larson's Hardware Hank & Rental and Bill VanMeeteren do not appear to represent a conflict 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, 2013.

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

Response – We will do so.

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.