

**CHARITON VALLEY PLANNING &
DEVELOPMENT COUNCIL OF GOVERNMENTS**

Independent Auditors' Reports
Financial Statement
Schedule of Findings

June 30, 2013

CHARITON VALLEY PLANNING & DEVELOPMENT COUNCIL OF GOVERNMENTS

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CHARITON VALLEY PLANNING & DEVELOPMENT COUNCIL OF GOVERNMENTS

Officials

Name and Title

Representing

Executive Board of Directors

Dean Kaster, Chairperson
Larry Davis, Vice Chair
John Hamilton, Financial Advisor*
Dennis Ryan, Treasurer
Bill Alley, Member

Appanoose County
Lucas County
Lucas County
Monroe County
Wayne County

Nichole Moore, Executive Director

* The Council added a member designated as Financial Advisor. This position is not authorized in the articles of agreement.

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 Financial Group, P.C.

Offices located in:

Muscatine
(563) 264-2727
Oskaloosa
(641) 672-2523
Ottumwa
(641) 683-1823
Pella
(641) 628-9411
Sigourney
(641) 622-1013

Independent Auditors' Report

To the Executive Board of Directors of the
Chariton Valley Planning & Development Council of Governments:

We have audited the accompanying statement of cash receipts, disbursements and changes in cash basis net assets of the Chariton Valley Planning & Development Council of Governments, Centerville, Iowa, 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 Chariton Valley Planning & Development Council of Governments 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 U.S. generally accepted accounting principles. 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 October 02, 2013 on our consideration of the Chariton Valley Planning & Development Council of Governments' 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.

TD&T Financial Group, P.C.

Oskaloosa, Iowa
October 02, 2013

**CHARITON VALLEY PLANNING &
DEVELOPMENT COUNCIL OF GOVERNMENTS**

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

| | |
|--|------------------|
| Operating receipts: | |
| Intergovernmental | \$ 145,438 |
| Transportation matching reimbursements | 31,975 |
| Membership dues | 16,135 |
| Miscellaneous | 84 |
| Total operating receipts | <u>193,632</u> |
| Operating disbursements: | |
| Salaries and benefits | 110,661 |
| Travel | 5,933 |
| Legal, accounting, and auditing | 26,403 |
| Insurance | 6,131 |
| Office equipment and supplies | 17,041 |
| Dues and subscriptions | 4,247 |
| Program expenses | 1,224 |
| Professional services | 2,688 |
| Rent | 4,700 |
| Utilities | 3,428 |
| Miscellaneous | 487 |
| Total operating disbursements | <u>182,943</u> |
| Excess of operating receipts over operating disbursements | <u>10,689</u> |
| Non-operating activities: | |
| Loan proceeds | 26,000 |
| Debt service: | |
| Principal | (36,599) |
| Interest | (5,786) |
| Building purchase | (26,476) |
| Total non-operating activities | <u>(42,861)</u> |
| Change in cash basis net assets | (32,172) |
| Cash basis net assets beginning of year - unrestricted | <u>58,745</u> |
| Cash basis net assets end of year - unrestricted | <u>\$ 26,573</u> |

See notes to financial statement

CHARITON VALLEY PLANNING & DEVELOPMENT COUNCIL OF GOVERNMENTS

Notes to Financial Statement Year Ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies

The Chariton Valley Planning & Development Council of Governments (Council) is a council of governments formed July 1, 2007, pursuant to the provisions of Chapter 28E and Chapter 28H of the Code of Iowa. The Council's area of jurisdiction includes Appanoose, Lucas, Monroe and Wayne Counties.

The member County Boards of Supervisors appoint one supervisor from each county to serve on the Executive Board of Directors. During the year ended June 30, 2009, the Council added a member designated as Financial Advisor, a position not authorized by the articles of agreement.

A. Reporting Entity

For financial reporting purposes, the Chariton Valley Planning & Development Council of Governments has included all funds, organizations, boards, commissions, and authorities. It 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 Council are such that exclusion would cause Council'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 Council 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 Council. The Chariton Valley Planning & Development Council of Governments has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Council are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the operation of 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)

**CHARITON VALLEY PLANNING &
DEVELOPMENT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statement
Year Ended June 30, 2013**

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The accompanying financial statement has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than account principles generally accepted in the United State of America. Under the cash basis, the only asset recognized is cash and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash basis of accounting differs from accounting principles generally accepted in the United States of America primarily because it does not give effect to accounts receivable, accounts payable and accrued items.

Note 2 – Cash and Investments

The Council's deposits 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 ensure there will be no loss of public funds.

The Council 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 Council; 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.

Note 3 – Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2013 is as follows:

| <u>Obligation</u> | <u>Origination Date</u> | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance End of Year</u> |
|-------------------|-----------------------------|--|------------------|------------------|------------------------------------|
| Commercial loan | July 2, 2007 | \$ 90,303 | - | 35,409 | 54,894 |
| Line of credit | March 26, 2009 | 356 | - | 356 | - |
| Mortgage note | April 16, 2013 | - | <u>26,000</u> | <u>834</u> | <u>25,166</u> |
| Total | | \$ <u>90,659</u> | <u>26,000</u> | <u>36,599</u> | <u>80,060</u> |

(continued)

CHARITON VALLEY PLANNING &
DEVELOPMENT COUNCIL OF GOVERNMENTS

Notes to Financial Statement
Year Ended June 30, 2013

Note 3 – Long-Term Debt (Continued)

On July 2, 2007, the Council entered into a promissory note with First Iowa State Bank for a line of credit not to exceed \$200,000, with interest at 7.125% per annum on the unpaid balance. The line of credit originally matured on January 30, 2008, but was extended several times. On July 18, 2012, the Council refinanced the outstanding balance to a commercial loan with interest at 7.125% per annum and a maturity date of August 17, 2017. The refinanced agreement requires monthly principal and interest payments of \$876 and is unsecured.

On March 26, 2009, the Council entered into a promissory note with First Iowa State Bank for a line of credit of \$35,000, with interest at 7.125% per annum on the unpaid balance. The line of credit originally matured on October 31, 2009, but was extended until the note was paid in full on July 16, 2012.

On April 16, 2013, the Council entered into a \$26,000 mortgage note in connection with the purchase of a building. The note requires monthly payments of \$279, including interest at 5.25%. Any remaining principal will be due at the maturity date of April 16, 2018. The note is secured by the building that the Council owns, which was purchased for \$26,000.

Future maturities of notes payable are as follows:

| <u>Year</u> <u>Ending</u> | <u>Amount</u> |
|------------------------------|------------------|
| 6/30/14 | \$ 8,778 |
| 6/30/15 | 9,452 |
| 6/30/16 | 10,103 |
| 6/30/17 | 35,486 |
| 6/30/18 | <u>16,241</u> |
| Total | <u>\$ 80,060</u> |

Note 4 – Iowa Public Employees Retirement System (IPERS)

The Council 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 issued 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.

During 2013, the plan members were required to contribute 5.78% of their annual covered salary and the Council was required to contribute 8.67% of covered payroll. Contribution requirements are established by state statute. The Council's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$7,028, \$6,263 and \$6,212, respectively, equal to the required contributions for each year.

CHARITON VALLEY PLANNING &
DEVELOPMENT COUNCIL OF GOVERNMENTS

Notes to Financial Statement
Year Ended June 30, 2013

Note 5 – Risk Pool

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

Note 6 – Compensated Absences

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

| <u>Type of Benefit</u> | <u>Amount</u> |
|------------------------|------------------|
| Vacation | \$ 14,500 |
| Compensatory time | <u>1,000</u> |
| Total | \$ <u>15,500</u> |

Note 7 – Contingent Liabilities

The Office of Auditor of State performed a special investigation of the Council as a result of concerns identified by a grantor agency. The Auditor of State's special investigation report dated February 7, 2012 identified certain disbursements which were an unallowable use of federal funds for programs administered by the Council.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. During 2013, the Council received notice from a grantor agency that approximately \$300,000 of previously paid claims were disallowed. Management is working with the Council's legal counsel and insurance provider to determine if the Council will need to repay any portion of the disallowed claims.

**CHARITON VALLEY PLANNING &
DEVELOPMENT COUNCIL OF GOVERNMENTS**

Independent Auditors' Report on Internal Control
Schedule of Findings

June 30, 2013

Offices located in:

Burlington
(319) 753-9877
Cedar Rapids
(319) 393-2374
Centerville
(641) 437-4296
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Ottumwa
(641) 683-1823
Pella
(641) 628-9411
Sigourney
(641) 622-1013

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 Executive Board of Directors of the
Chariton Valley Planning & Development Council of Governments:

We have audited, in accordance with the auditing standards generally accepted in the United State 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 Chariton Valley Planning & Development Council of Governments as of and for the year ended June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated October 02, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Chariton Valley Planning & Development Council of Governments' 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 statement, but not for the purpose of expressing an opinion on the effectiveness of Chariton Valley Planning & Development Council of Governments' internal control. Accordingly, we do not express an opinion on the effectiveness of Chariton Valley Planning & Development Council of Governments' 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 statement 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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. However, as described in items 1 through 3 in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chariton Valley Planning & Development Council of Governments' financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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 noncompliance required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about Chariton Valley Planning & Development Council of Governments' 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 Chariton Valley Planning & Development Council of Governments. 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.

Chariton Valley Planning & Development Council of Governments' Response to Findings

Chariton Valley Planning & Development Council of Governments' responses to findings identified in our audit are described in the accompanying schedule of findings. Chariton Valley Planning & Development Council of Governments' responses were not subjected to the audit procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

TD&T Financial Group, P.C.

Oskaloosa, Iowa
October 02, 2013

CHARITON VALLEY PLANNING & DEVELOPMENT COUNCIL OF GOVERNMENTS

Schedule of Findings Year Ended June 30, 2013

Findings Related to the Financial Statement:

Material Weaknesses:

- 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 Council:
 1. Cash – handling, reconciling and recording.
 2. Receipts – opening mail, collecting, depositing, posting, maintaining receivable records and reconciling receipts. An initial listing of mail receipts is prepared, but the listing is not compared to accounting records by an independent person.
 3. Disbursements – purchasing, approval, check writing and signing and control over the credit card.
 4. Payroll – record keeping, preparation, distribution, entering time sheet information and rates into the system and approval of wire transfers for payroll taxes, FICA, and IPERS.
 5. Debt – record keeping, drawing funds from the lines of credit and debt payment processing.
 6. Computer system – performing all general accounting functions, journal entries, and controlling all data and output.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Council should review its control procedures to obtain the maximum internal control possible under the circumstances. The initial listing of mail receipts should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

Response – Due to the limited number of employees, segregation of duties is very difficult. We will continue to have the Board approve disbursements at the monthly meetings and look for ways to involve Board members to further segregate duties. After Board review and approval, Board members sign the approved list of disbursements.

Conclusion – Response accepted.

(continued)

CHARITON VALLEY PLANNING &
DEVELOPMENT COUNCIL OF GOVERNMENTS

Schedule of Findings (Continued)
Year Ended June 30, 2013

Findings Related to the Financial Statement:

Material Weaknesses (continued):

- 2) Reconciliation of Billings, Collections, and Delinquent Accounts – Billings, collections, and delinquent accounts were not reconciled during the year ended June 30, 2013. An aging of receivables was not prepared or reviewed for delinquent receivables. No procedures exist to reconcile amounts collected to the records of billings/remittances.

Recommendation – Policies and procedures should be established to reconcile billings, collections, and delinquent accounts and to determine any receivable write-offs necessary. The Board or a Board-designated independent person should review the reconciliations and monitor delinquent accounts.

Response – The Executive Director will incorporate a chart showing program funding and outstanding disbursements and receipts.

Conclusion – Response accepted.

- 3) Preparation of Financial Statement with Complete Footnote Disclosures – The Council does not have staff with the relevant knowledge and experience to prepare a complete financial statement, including footnote disclosures. During our audit, material adjustments were needed in order to present the financial statement on the cash basis of accounting.

Recommendation – We recognize that this type of knowledge is very specialized and it is not cost effective for management to obtain this type of education and training. As a result, we will continue to draft the financial statement and submit the draft for management's approval. However, we do recommend that the Council maintain its books on a cash basis so that audit adjustments won't be needed in future years to eliminate balance sheet accounts not recognized under the cash basis.

Response – The Council will monitor the process.

Conclusion – Response accepted.

Instances of Noncompliance:

No matters were noted.

(continued)

CHARITON VALLEY PLANNING &
DEVELOPMENT COUNCIL OF GOVERNMENTS

Schedule of Findings (Continued)
Year Ended June 30, 2013

Other Findings Related to Statutory Reporting:

- (A) 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.
- (B) Travel Expense – No expenditures of money for travel expenses of spouses of Council officials or employees were noted.
- (C) Business Transactions – No business transactions between the Council and Council officials and employees were noted.
- (D) Board Minutes – In accordance with Chapter 28E.6(3) of the Code of Iowa, a summary of the Board proceedings should be submitted for publication within 20 days following the adjournment of the meeting. The summary should include a schedule of bills allowed and a list of all salaries paid for services, but salaries of persons regularly employed by the Council shall only be published annually. Proof of publications could not be located for all minutes during the year ended June 30, 2013.

Recommendation – The Council should ensure minutes are maintained for all meetings held and minutes are properly submitted for publication, including the schedule of bills. Proof of publication should be maintained.

Response – The Executive Director will make an effort to submit and post minutes of Board meetings in the region.

Conclusion – Response accepted.

- (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 and the Council’s investment policy were noted.

CHARITON VALLEY PLANNING & DEVELOPMENT COUNCIL OF GOVERNMENTS

Staff

This audit was performed by:

TD&T Financial Group, P.C.
317 High Avenue East
Oskaloosa, Iowa 52577

Personnel:

Courtney L. De Ronde, CPA, Engagement Partner
Glen Swanson, CPA, Manager
Kristen Irwin, CPA, Staff