CORNER COUNTIES EARLY CHILDHOOD AREA

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

CORNER COUNTIES EARLY CHILDHOOD AREA

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CORNER COUNTIES EARLY CHILDHOOD AREA
Officials
June 30, 2015

Board Members	Address	Term Expires
Bill Lawrence, Chair	Clarinda, Iowa	June, 2015
Mary K. Kesterson, Vice-Chair	Thurman, Iowa	June, 2015
Michael Kirsch	Shenandoah, Iowa	June, 2015
Tim Blank	Farragut, Iowa	June, 2016
Brian Maxine	Shenandoah, Iowa	June, 2015
Sheila Mellencamp	Clarinda, Iowa	June, 2016
Julie Mount	Riverton, Iowa	June, 2017

Executive Director	
Staci Scroggie	Farragut, Iowa

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of
Corner Counties Early Childhood Area
Clarinda, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Corner Counties Early Childhood Area as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal controls 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

To the Board Members of
Corner Counties Early Childhood Area

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

Unqualified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Corner Counties Early Childhood Area, as of June 30, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2015 on our consideration of Corner Counties Early Childhood Area's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Greenwold, Bell, Hyden + Co. P.L.

Atlantic, Iowa
December 28, 2015

CORNER COUNTIES EARLY CHILDHOOD AREA
Statement of Net Position
June 30, 2015

ASSETS

Cash	$ 31,987
Total assets	$ 31,987

LIABILITIES AND NET POSITION

Liabilities:	
Accounts payable	$ 16,099
Net Position:	
Restricted for grant purposes	15,888
Total liabilities and net position	$ 31,987

The accompanying notes are an integral part of these statements.

CORNER COUNTIES EARLY CHILDHOOD AREA
Statement of Activities
Year ended June 30, 2015

	Expenses	Operating Grants and Restricted Interest	Net (Expense) Revenue and Change in Assets
Functions/Programs:			
Governmental activities:			
Early childhood	$ 31,711	$ 33,296	$ 1,585
Family support and parent education	123,521	122,578	(943)
Preschool support for low-income families	56,977	53,821	(3,156)
Quality improvement	42,875	43,583	708
Other program services	11,684	12,653	969
Administration	8,946	8,947	1
Other revenues:			
Interest	--	51	51
Total	$ 275,714	$ 274,929	(785)
Net position beginning of year			16,673
Net position end of year			$ 15,888

The accompanying notes are an integral part of these statements.

CORNER COUNTIES EARLY CHILDHOOD AREA
Balance Sheet
Governmental Funds
June 30, 2015

	Special Revenue		
	Early Childhood	School Ready	Total
Assets:			
Cash	$ 3,171	$ 28,816	$ 31,987
Total assets	$ 3,171	$ 28,816	$ 31,987
Liabilities and Fund Balances:			
Accounts payable	$ 1,579	$ 14,520	$ 16,099
Fund balances:			
Restricted for grant purposes	1,592	14,296	15,888
Total liabilities and fund balances	$ 3,171	$ 28,816	$ 31,987

The accompanying notes are an integral part of these statements.

CORNER COUNTIES EARLY CHILDHOOD AREA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2015

	Special Revenue		
	Early Childhood	School Ready	Total
Revenues:			
State of Iowa Grants:			
Early childhood	$ 33,296	$ --	$ 33,296
Family support and parent education	--	122,578	122,578
Preschool support for low-income families	--	53,821	53,821
Quality improvement	--	43,583	43,583
Other program services	--	12,653	12,653
Allocation for administration	1,752	7,195	8,947
Total State of Iowa Grants	35,048	239,830	274,878
Interest	7	44	51
Total Revenues	35,055	239,874	274,929
Expenditures:			
Program Services:			
Early childhood	31,711	--	31,711
Family support and parent education	--	123,521	123,521
Preschool support for low-income families	--	56,977	56,977
Quality improvement	--	42,875	42,875
Other program services	--	11,684	11,684
Total program services	31,711	235,057	266,768
Administration	1,752	7,194	8,946
Total Expenditures	33,463	242,251	275,714
Net Change in Fund Balances	1,592	(2,377)	(785)
Fund Balances, Beginning of Year	--	16,673	16,673
Fund Balances, End of Year	$ 1,592	$ 14,296	$ 15,888

The accompanying notes are an integral part of these statements.

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Significant Accounting Policies

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

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

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

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

2. Reporting Entity

For financial reporting purposes, the Corner Counties Early Childhood Area has included all funds, organizations, agencies, boards, commissions, and authorities. The Organization has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Organization to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Organization. The Organization has no component units which meet the Governmental Accounting Standards board criteria.

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

3. Basis of Presentation

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

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

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

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

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

The Organization reports the following major governmental funds:

Special Revenue:

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

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

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

4. Measurement Focus and Basis of Accounting

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

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

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

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

5. Fund Balance

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

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Board intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

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

6. Cash

The Organization's deposits in bank at June 30, 2015 were entirely covered by federal depository insurance.

7. Use of Estimates

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

8. Risk Management

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

9. Subsequent Events

Management has evaluated subsequent events through December 28, 2015, the date which the statements were available to be issued.

* * *

COMMENTS AND RECOMMENDATIONS

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

To the Board Members of
Corner Counties Early Childhood Area
Clarinda, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Corner Counties Early Childhood Area, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated December 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Corner Counties Early Childhood Area's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Corner Counties Early Childhood Area's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a 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 these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 15-I-A.

To the Board Members of
Corner Counties Early Childhood Area

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corner Counties Early Childhood Area's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. 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.

Responses to Findings

Corner Counties Early Childhood Area's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Corner Counties Early Childhood Area'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 result of that testing and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aronewold, Bell, Kuyhn & Co. P.C

Atlantic, Iowa
December 28, 2015

CORNER COUNTIES EARLY CHILDHOOD AREA
Schedule of Findings and Responses
Year Ended June 30, 2015

PART I - REPORTABLE CONDITIONS

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

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

Response: The Board members are aware of this lack of segregation of duties, but it is not economically feasible for the Organization to contract for additional personnel for this reason. A segregation of duties policy was approved September 10, 2014. The Board members will continue to act as an oversight group.

Conclusion: Response accepted.

PART II - REQUIRED STATUTORY REPORTING

15-II-A Questionable Expenses: No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

15-II-B Travel Expense: No expenditures for travel expenses of spouses of Organization officials or employees were noted.

* * *