

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

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENT
SCHEDULE OF FINDINGS**

June 30, 2016

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CEDAR RIVER RECREATION & FINE ARTS COMPLEX

Officials

For the Year Ending June 30, 2016

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Steven Cooper	President	City of Osage
Jon Giselson	Vice President	Osage Education Foundation
Lisa Peterson	Secretary	Outside Osage City Limits
Jen Frien	Board Member	Osage Municipal Utilities
Brenda Johanns	Board Member	Osage Community School District
Krista Koschmeder	Board Member	Mitchell County Historical Society
Mark Penney ..	At Large	Within Osage City Limits
Janine Schwark	At Large	Outside Osage City Limits
Mark Taets	Board Member	Mitchell County Agricultural Society
Beth Blumberg	Director	
Kathie Blake	Treasurer	



Independent Auditor's Report

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

Report on the Financial Statement

We have audited the accompanying cash basis financial statements of the business type activities of the Cedar River Recreation & Fine Arts Complex as of and for the year ended June 30, 2016, 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, 2016, 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 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and 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 September 30, 2016 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.

Gardiner Thomsen, P.C.

Charles City, Iowa

September 30, 2016

MANAGEMENT’S DISCUSSION AND ANALYSIS

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, 2016. We encourage readers to consider this information in conjunction with the Complex’s financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Operating receipts of the Complex increased 1.09% or \$8,265 from fiscal year 2015 to fiscal year 2016. Complex support remained constant while admissions and sales were increased.
- Operating disbursements of the Complex decreased 1.38% or approximately \$10,706 in fiscal year 2016 from fiscal year 2015. Utilities expense decreased \$23,418.
- The Complex’s total cash basis net position decreased 27.22% or approximately \$78,434 from June 30, 2015 to June 30, 2016.

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

The purpose of the statement is to present the receipts received by the Complex and the disbursements paid by the Complex, 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 Complex's cash basis financial position by analyzing the increase and decrease in the Commission's cash balance. The Complex's cash balance decreased from a year ago, decreasing from \$288,197 to \$209,763.

Changes in Cash Balances

	Year Ended June 30,	
	2016	2015
Operating Receipts:		
Complex Support	\$222,653	\$220,500
Admissions	294,966	290,828
Rent	108,862	110,558
Activities	37,152	35,068
Sales	73,313	69,432
Miscellaneous	27,955	30,250
Total Operating Receipts	764,901	756,636
Operating Disbursements:		
Salaries and Benefits	352,978	350,548
Utilities	137,194	160,612
Activities	4,767	4,339
Costs of Goods for Resale	39,127	34,139
Supplies	31,564	36,005
Building and Equipment Expense	33,436	30,190
Marketing	7,874	9,643
Regular Fees	11,236	10,877
Insurance	46,051	46,700
Board Administration	2,112	1,308
Professional Fees	13,627	14,054
Volunteer Expense	1,443	952
Member Expense	2,245	1,624
Employee Expense	2,493	1,563
Miscellaneous Expense	80,340	74,639
Total Operating Disbursements	766,487	777,193
Change in Cash Balances Before Non-Operating	(1,586)	(20,557)

FINANCIAL ANALYSIS OF THE COMPLEX (CONTINUED)

Changes in Cash Balances (Continued)

	Year Ended June 30,	
	2016	2015
Non-Operating Receipts (Disbursements):		
Interest on Investments	\$ 1,465	\$ 1,609
Pledges	104,805	112,650
Donations Received for Purchases	35,570	34,534
Debt Service	(96,364)	(102,062)
Interest Expense	(9,444)	(10,370)
Donations Purchased	(40,129)	(32,253)
Renovations	(72,751)	0
Net Non-Operating Receipts (Disbursements)	(76,848)	4,108
Net Change in Cash Balances	(78,434)	(16,449)
Cash Balances, Beginning of Year	288,197	304,646
Cash Balances, End of Year	<u>\$209,763</u>	<u>\$ 288,197</u>

The Complex's operating receipts increased 1.09% or \$8,265. The operating disbursements decreased approximately \$10,706. The increase in receipts was primarily due to an increase in admissions and sales while the decrease in disbursements was primarily due to a decrease in Utility expense.

BUDGETARY HIGHLIGHTS

The Cedar River Recreation & Fine Arts Complex (CRC) continues to improve their financial position as we strive to pay down our debt, increase income and keep expenses manageable.

The number of memberships this year ranged from 818 to 841 and the number of members from 2012 to 2046. We had 170 new memberships and 154 memberships cancel. Non-member passes also increased again this year.

The membership, event center rentals and bar sales, activities and programs all showed increases this year, while supplies and utilities decreased.

The locker rooms were remodeled this year including tile floors and shower walls, and the removal of the steam rooms. The steam room in the women's locker room was made into changing rooms and the men's steam room was made into new office space. The enhancements were needed and welcomed by our members.

The CRC team, including the board of directors and employees, worked together to create a manageable budget. The employees strive to monitor expenses, be responsible and conservative in spending, and continue to explore new avenues of income.

DEBT ADMINISTRATION

At June 30, 2016, the Complex had \$229,230 in loan and other long-term debt outstanding compared to \$325,600 last year as shown below.

Outstanding Debt at Year-End		
	2016	2015
Construction Note	\$229,230	\$305,600
Promissory Note	0	20,000
Total	<u>\$229,230</u>	<u>\$325,600</u>

ECONOMIC FACTORS

The CRC continues to maintain memberships and increase of revenue through rentals and programs. As the building ages more repairs and equipment replacement is inevitable. The CRC board of directors will be working on a strategic plan to address these issues.

We anticipate a decrease in rental income as Prairie Lakes Church leaves the CRC for their new building sometime this year. The CRC will seek out new avenues of revenue and continue to look at ways to decrease expenses.

The community continues to support the CRC through memberships, donations, volunteer hours, and rentals.

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

Exhibit A**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, 2016

Operating Receipts:	
Complex Support	\$222,653
Admissions	294,966
Rent	108,862
Activities	37,152
Sales	73,313
Miscellaneous	27,955
Total Operating Receipts	<u>764,901</u>
Operating Disbursements:	
Salaries and Benefits	352,978
Utilities	137,194
Activities	4,767
Cost of Goods for Resale	39,127
Supplies	31,564
Building and Equipment Expense	33,436
Marketing	7,874
Regular Fees	11,236
Insurance	46,051
Board Administration	2,112
Professional Fees	13,627
Volunteer Expense	1,443
Member Expense	2,245
Employee Expense	2,493
Miscellaneous Expense	80,340
Total Operating Disbursements	<u>766,487</u>
Deficiency of Operating Receipts Under Operating Disbursements	(1,586)
Non-Operating Receipts (Disbursements):	
Interest on Investments	1,465
Pledges	104,805
Donations Received for Purchase	35,570
Debt Service	(96,364)
Interest Expense	(9,444)
Donations Purchased	(40,129)
Renovations	(72,751)
Net Non-Operating Receipts (Disbursements)	<u>(76,848)</u>

Exhibit A (Continued)

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES (CONTINUED)

Net Change in Cash Balances	\$ (78,434)
Cash Balances, Beginning of Year	<u>288,197</u>
Cash Balances, End of Year	<u><u>\$209,763</u></u>
Cash Basis Fund Balance	
Unrestricted	<u><u>\$209,763</u></u>
See Notes to Financial Statements	

Notes to Financial Statements

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)

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, 2016 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)

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, 2016 is as follows:

Vacation	<u>\$8,228</u>
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This liability has been computed based on rates of pay in effect at June 30, 2016.

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 C US 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 the fiscal year ended June 30, 2011. During the fiscal year ended June 30, 2016, the Complex retired \$76,364 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>	<u>Construction Note Principal</u>
2017	\$229,230

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, 2016, the Complex retired \$20,000 of the debt, paying the obligation in full.

Note 6: Related Party Transactions

We noted business transactions between the complex and complex officials totaling \$2,539 during the fiscal year ended June 30, 2016.

Notes to Financial Statements (Continued)

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, 2016.

Note 8: Subsequent Events

Management has evaluated subsequent events through September 30, 2016, the date which the financial statements were available to be issued.



**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 of the Cedar River Recreation & Fine Arts Complex as of and for the year ended June 30, 2016, 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 September 30, 2016.

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 from 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*.

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.

September 30, 2016



Charles City, Iowa

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

Schedule of Findings

Year Ended June 30, 2016

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, 2016

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	Description	Amount
Paige Schubert , Events Center Manager Candi Brandau, Paige's mother	Facility Supplies	\$ 89
Steve Cooper , Board President Martin Cooper, Steve's son	Bartending	1,125

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

Schedule of Findings (Continued)

Year Ended June 30, 2016

Other Findings Related to Required Statutory Reporting: (Continued)

Name, Title and Business Connection	Description	Amount
Beth Blumberg , Complex Director Mike Blumberg, Beth's husband	Lawn Care, Facility Supplies	\$188
Beth Blumberg , Complex Director Jessica Blumberg, Beth's daughter	Events Staff, Cleaning	468
Beth Blumberg , Complex Director Jonathan Blumberg, Beth's son	Bartending	75
Harlan Bremer , Board Member Larson's Hardware Hank & Rental, owned by Harlan's son	Facility Supplies	594

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with Candi Brandau, Martin Cooper, Mike Blumberg, Jessica Blumberg, Jonathan Blumberg and Larson's Hardware Hank and Rental do not appear to represent conflicts 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.
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.