



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE

May 2, 2017

Contact: Andy Nielsen  
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Auditor of State Mary Mosiman today released an audit report on the Iowa/Jefferson/Keokuk Early Childhood Iowa Area for the year ended June 30, 2016.

The Iowa/Jefferson/Keokuk Early Childhood Iowa Area is established under Chapter 256I of the Code of Iowa. The purpose of the Iowa/Jefferson/Keokuk Early Childhood Iowa Area is to improve the well-being and quality of life of 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 within Iowa, Jefferson and Keokuk Counties.

The Area had total revenues of \$410,451 for the year ended June 30, 2016, a 3.5% increase over the prior year. Expenses for the year ended June 30, 2016 totaled \$424,566, a 1.9% increase over the prior year, and included \$192,104 for family support and parent education, \$94,312 for preschool support for low income families and \$55,034 for early childhood program services.

A copy of the audit report is available for review in the Iowa/Jefferson/Keokuk Early Childhood Iowa Area office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1633-0052-B000>.

# # #



**IOWA/JEFFERSON/KEOKUK EARLY CHILDHOOD IOWA AREA**

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

**JUNE 30, 2016**

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**Iowa/Jefferson/Keokuk Early Childhood Iowa Area**

**Officials**

**(Before January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Becky Schmitz	Chairperson	Jan 31, 2018
Stephen Burgmeier	Vice Chairperson	Jan 31, 2018
MaryAnn Williams	Secretary	Jan 31, 2017
Lyle Donald	Treasurer	Jan 31, 2018
Rev. Donald Dovre	Member	Jan 31, 2016
Sam Hunt	Member	Jan 31, 2016
Nancy Sieber	Member	Jan 31, 2016
Michael Berg	Member	Jan 31, 2017
Denise Wright	Member	Jan 31, 2017
Linda Yoder	Member	Jan 31, 2017
Vicki Pope	Member	Jan 31, 2018
Tammy Wetjen-Kesterson	Executive Director	Jun 30, 2016

**(After January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Becky Schmitz	Chairperson	Jan 31, 2018
Rev. Donald Dovre	Vice Chairperson	Jan 31, 2019
MaryAnn Williams	Secretary	Jan 31, 2017
Lyle Donald	Treasurer	Jan 31, 2018
Michael Berg	Member	Jan 31, 2017
Denise Wright	Member	(Resigned Mar 2016)
Alan Jensen (Appointed Mar 2016)	Member	Jan 31, 2017
Linda Yoder	Member	(Resigned Mar 2016)
Shilo Hilger (Appointed Apr 2016)	Member	Jan 31, 2017
Stephen Burgmeier	Member	(Resigned Mar 2016)
April Donelson (Appointed Mar 2016)	Member	Jan 31, 2018
Vicki Pope	Member	Jan 31, 2018
Tami Gilliland (Appointed Mar 2016)	Member	Jan 31, 2019
Sam Hunt	Member	Jan 31, 2019
Nancy Sieber	Member	Jan 31, 2019
Tammy Wetjen-Kesterson	Executive Director	Jun 30, 2016

**Iowa/Jefferson/Keokuk Early Childhood Iowa Area**



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Independent Auditor's Report

To the Members of the Iowa/Jefferson/Keokuk Early Childhood Iowa Area Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Iowa/Jefferson/Keokuk Early Childhood Iowa Area as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the Area's basic financial statements 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 U.S. generally accepted accounting principles. 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Area'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 Area'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## 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 Iowa/Jefferson/Keokuk Early Childhood Iowa Area as of June 30, 2016, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

The Iowa/Jefferson/Keokuk Early Childhood Iowa Area Board has omitted Management's Discussion and Analysis which U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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 statement is not affected by this omitted information.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 17, 2017 on our consideration of the Iowa/Jefferson/Keokuk Early Childhood Iowa Area's 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 financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Iowa/Jefferson/Keokuk Early Childhood Iowa Area's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

April 17, 2017

## **Basic Financial Statements**

**Exhibit A**

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## Iowa/Jefferson/Keokuk Early Childhood Iowa Area

## Statement of Net Position

June 30, 2016

<b>Assets</b>	
Cash	\$ 64,190
<b>Liabilities</b>	
Accounts payable	<u>28,844</u>
<b>Net position</b>	
Restricted for grant purposes	<u><u>\$ 35,346</u></u>

See notes to financial statements.

Iowa/Jefferson/Keokuk Early Childhood Iowa Area

Statement of Activities

Year ended June 30, 2016

	Expenses	Operating Grants, Restricted Interest and Miscellaneous	Net (Expense) Revenue and Change in Net Position
<b>Functions/Programs:</b>			
Governmental activities:			
Early childhood	\$ 55,034	46,522	(8,512)
Family support and parent education	192,104	193,340	1,236
Preschool support for low income families	94,312	84,890	(9,422)
Quality improvement	51,974	51,974	-
Other program services	17,311	20,220	2,909
Administration	13,831	13,283	(548)
Miscellaneous	-	222	222
Total	<u>\$ 424,566</u>	<u>410,451</u>	
Change in net position			(14,115)
Net position beginning of year			<u>49,461</u>
Net position end of year			<u>\$ 35,346</u>

See notes to financial statements.

**Exhibit C**

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## Iowa/Jefferson/Keokuk Early Childhood Iowa Area

Balance Sheet  
Governmental Funds

June 30, 2016

	<u>Special Revenue</u>		
	<u>Early</u>	<u>School</u>	
	<u>Childhood</u>	<u>Ready</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 5,337	58,853	64,190
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 3,325	25,519	28,844
Fund balances:			
Restricted for grant purposes	2,012	33,334	35,346
<b>Total liabilities and fund balances</b>	<u>\$ 5,337</u>	<u>58,853</u>	<u>64,190</u>

See notes to financial statements.

Iowa/Jefferson/Keokuk Early Childhood Iowa Area  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2016

	Special Revenue		Total
	Early Childhood	School Ready	
Revenues:			
State grants:			
Early childhood	\$ 46,522	-	46,522
Family support and parent education	-	193,340	193,340
Preschool support for low income families	-	84,890	84,890
Quality improvement	-	51,974	51,974
Other program services	-	20,220	20,220
Allocation for administration	2,449	10,834	13,283
Miscellaneous	-	222	222
Total revenues	48,971	361,480	410,451
Expenditures:			
Program services:			
Early childhood	55,034	-	55,034
Family support and parent education	-	192,104	192,104
Preschool support for low income families	-	94,312	94,312
Quality improvement	-	51,974	51,974
Other program services	-	17,311	17,311
Administration	2,544	11,287	13,831
Total expenditures	57,578	366,988	424,566
Change in fund balances	(8,607)	(5,508)	(14,115)
Fund balances beginning of year	10,619	38,842	49,461
Fund balances end of year	\$ 2,012	33,334	35,346

See notes to financial statements.

Iowa/Jefferson/Keokuk Early Childhood Iowa Area

Notes to Financial Statements

June 30, 2016

**(1) Summary of Significant Accounting Policies**

The Iowa/Jefferson/Keokuk Early Childhood Iowa Area (Area) is established under Chapter 256I of the Code of Iowa. The goal of the Area 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 Area is funded by allocations of state block grants.

An autonomous Board with a minimum of seven citizens from Iowa, Jefferson and Keokuk Counties governs the Area. The Area Board is comprised of an elected official from each County and one representative each from business, faith, consumer, health, human services and education.

The Area designated Pathfinders Resource Conservation and Development, a nonprofit corporation, as fiscal agent to administer the grant funds as permitted by Chapter 256I.8(1a) of the Code of Iowa.

The Area'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 the 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, which are reported in separate Special Revenue Funds.

A. Reporting Entity

For financial reporting purposes, the Area has included all funds, organizations, agencies, commissions, and authorities. The Area 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 Area are such that exclusion would cause the Area'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 Area 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 Area. The Area has no component units which meet the Governmental Accounting Standards Board criteria.

B. 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 Area.

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

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 Area 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.

C. Measurement Focus and Basis of Presentation

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 modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable 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 Area 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 year are all considered to be susceptible to accrual. All other revenues are considered to be measurable and available only when cash is received by the Area.

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.

D. Fund Balance

In the governmental fund financial statements, fund balances are classified as restricted. This amount is 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.

**(2) Cash**

The Area's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance.

**(3) Risk Management**

The Area 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 Area 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.



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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 Members of the Iowa/Jefferson/Keokuk Early Childhood Iowa Area Board:

We have audited in accordance with U.S. generally accepted auditing standards 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 Iowa/Jefferson/Keokuk Early Childhood Iowa Area as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the Area's basic financial statements, and have issued our report thereon dated April 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa/Jefferson/Keokuk Early Childhood Iowa Area's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Iowa/Jefferson/Keokuk Early Childhood Iowa Area's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Iowa/Jefferson/Keokuk Early Childhood Iowa Area's internal control.

A deficiency in internal control exists when the design or operation of the 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 a material misstatement of the Area'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 which 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. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist which have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iowa/Jefferson/Keokuk Early Childhood Iowa 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 required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Area's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Iowa/Jefferson/Keokuk Early Childhood Iowa Area. 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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa/Jefferson/Keokuk Early Childhood Iowa Area during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

April 17, 2017

Iowa/Jefferson/Keokuk Early Childhood Iowa Area

Schedule of Findings

Year ended June 30, 2016

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over financial reporting were noted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Other Findings Related to Required Statutory Reporting:**

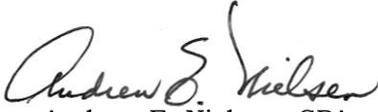
- (1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No expenditures for travel expenses of spouses of Area officials or employees were noted.

Iowa/Jefferson/Keokuk Early Childhood Iowa Area

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager  
Nicole L. Roethlisberger, Staff Auditor  
Libby C. Lamfers, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State