



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 20, 2019

Contact: Marlys Gaston
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Auditor of State Rob Sand today released an audit report on the Iowa/Jefferson/Keokuk Early Childhood Iowa Area for the year ended June 30, 2018.

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 \$407,320 for the year ended June 30, 2018, a 2.8% increase over the prior year. Expenses for the year ended June 30, 2018 totaled \$399,331, a 7.0% increase over the prior year, and included \$289,324 for other program services, \$51,957 for quality improvement and \$44,830 for early childhood program services.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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IOWA/JEFFERSON/KEOKUK EARLY CHILDHOOD IOWA AREA

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

JUNE 30, 2018

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Iowa/Jefferson/Keokuk Early Childhood Iowa Area

Officials

(Before January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rev. Donald Dovre	Chairperson	Jan 31, 2019
Nancy Sieber	Vice Chairperson	Jan 31, 2019
MaryAnn Williams	Secretary	Jan 31, 2020
Lyle Donald	Treasurer	Jan 31, 2018
Dee Sandquist	Member	Jan 31, 2018
Neal Huedepohl	Member	Jan 31, 2018
April Donelson	Member	Jan 31, 2019
Vicki Pope	Member	(Resigned Jan 2017)
Tami Gilliland	Member	Jan 31, 2019
Sam Hunt	Member	Jan 31, 2019
Michael Berg	Member	Jan 31, 2020
Alan Jensen	Member	Jan 31, 2020
Shilo Hilger	Member	Jan 31, 2020
Tammy Wetjen-Kesterson	Executive Director	

(After January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rev. Donald Dovre	Chairperson	Jan 31, 2019
Nancy Sieber	Vice Chairperson	Jan 31, 2019
MaryAnn Williams	Secretary	Jan 31, 2020
Lyle Donald	Treasurer	Jan 31, 2021
Tami Gilliland	Member	Jan 31, 2019
Sam Hunt	Member	Jan 31, 2019
Michael Berg	Member	Jan 31, 2020
Alan Jensen	Member	Jan 31, 2020
Shilo Hilger	Member	Jan 31, 2020
April Donelson	Member	Jan 31, 2021
Neal Huedepohl	Member	Jan 31, 2021
Dee Sandquist	Member	Jan 31, 2021
Tammy Wetjen-Kesterson	Executive Director	

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, 2018, 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, 2018, 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 March 1, 2019 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 solely 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 effectiveness of 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.



ROB SAND
Auditor of State

March 1, 2019

Basic Financial Statements

Exhibit A

Iowa/Jefferson/Keokuk Early Childhood Iowa Area

Statement of Net Position

June 30, 2018

Assets	
Cash	\$ 88,245
Liabilities	
Accounts payable	<u>21,625</u>
Net position	
Restricted for grant purposes	<u>\$ 66,620</u>

See notes to financial statements.

Iowa/Jefferson/Keokuk Early Childhood Iowa Area

Statement of Activities

Year ended June 30, 2018

	Expenses	Operating Grants, Restricted Interest and Miscellaneous	Net (Expense) Revenue and Change in Net Position
Functions/Programs:			
Governmental activities:			
Early childhood	\$ 44,830	47,650	2,820
Quality improvement	51,957	51,957	-
Other program services	289,324	294,493	5,169
Administration	13,220	13,220	-
Total	<u>\$ 399,331</u>	<u>407,320</u>	
Change in net position			7,989
Net position beginning of year			<u>58,631</u>
Net position end of year			<u>\$ 66,620</u>

See notes to financial statements.

Exhibit C

Iowa/Jefferson/Keokuk Early Childhood Iowa Area

Balance Sheet
Governmental Funds

June 30, 2018

	<u>Special Revenue</u>		
	<u>Early</u>	<u>School</u>	
	<u>Childhood</u>	<u>Ready</u>	<u>Total</u>
Assets			
Cash	\$ 9,624	78,621	88,245
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,932	19,693	21,625
Fund balances:			
Restricted for grant purposes	7,692	58,928	66,620
Total liabilities and fund balances	<u>\$ 9,624</u>	<u>78,621</u>	<u>88,245</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, 2018

	<u>Special Revenue</u>		
	<u>Early</u>	<u>School</u>	
	<u>Childhood</u>	<u>Ready</u>	<u>Total</u>
Revenues:			
State grants:			
Early childhood	\$ 47,650	-	47,650
Quality improvement	-	51,957	51,957
Other program services	-	294,413	294,413
Allocation for administration	-	10,712	10,712
School ready general use	2,508	-	2,508
Other revenues - contract refund	-	80	80
Total revenues	<u>50,158</u>	<u>357,162</u>	<u>407,320</u>
Expenditures:			
Program services:			
Early childhood	44,830	-	44,830
Quality improvement	-	51,957	51,957
Other program services	-	289,324	289,324
Administration	2,508	10,712	13,220
Total expenditures	<u>47,338</u>	<u>351,993</u>	<u>399,331</u>
Change in fund balances	2,820	5,169	7,989
Fund balances beginning of year	4,872	53,759	58,631
Fund balances end of year	<u>\$ 7,692</u>	<u>58,928</u>	<u>66,620</u>

See notes to financial statements.

Iowa/Jefferson/Keokuk Early Childhood Iowa Area

Notes to Financial Statements

June 30, 2018

(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 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, 2018 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, 2018, and the related Notes to Financial Statements, which collectively comprise the Area's basic financial statements, and have issued our report thereon dated March 1, 2019.

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, 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 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, 2018 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.



ROB SAND
Auditor of State

March 1, 2019

Iowa/Jefferson/Keokuk Early Childhood Iowa Area

Schedule of Findings

Year ended June 30, 2018

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:

Deborah J. Moser, CPA, Manager
Malika Moutiq, Staff Auditor
Crystal D. Jimenez-Boender, Staff Auditor


Marlys K. Gaston, CPA
Deputy Auditor of State