



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ July 29, 2013

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Missouri Valley Drainage District.

The District had total receipts of \$877,467 for the year ended June 30, 2012. Receipts included FEMA reimbursements of \$799,801 and drainage assessments of \$65,810.

Disbursements for the year totaled \$1,132,271, and included \$1,055,450 for flood repair and maintenance, \$44,929 for project management service fees and \$26,457 for administration.

A copy of the audit report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1233-0056-B000.pdf>.

###



**MISSOURI VALLEY DRAINAGE DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2012**

## Table of Contents

	<u>Page</u>	
Officials	3	
Independent Auditor's Report	5-6	
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	9
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	10
Notes to Financial Statements		11-12
Supplementary Information:	<u>Schedule</u>	
Schedule of Expenditures of Federal Awards	1	14
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 <u>Government Auditing Standards</u>		15-16
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		17-18
Schedule of Findings and Questioned Costs		19-21
Staff		22

**Missouri Valley Drainage District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2013)</b>		
Robert Geiger	Chairperson	January 2013
Ivan Woltemath	Trustee	January 2014
Jerry Birkby	Trustee	January 2015
Gene Eaton	Clerk/Attorney	Appointed Annually
<b>(After January 2013)</b>		
Ivan Woltemath	Chairperson	January 2014
Jerry Birkby	Trustee	January 2015
John Askew	Trustee	January 2016
Gene Eaton	Clerk/Attorney	Appointed Annually

**Missouri Valley Drainage District**



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

## Independent Auditor's Report

To the Board of Trustees of the  
Missouri Valley Drainage District:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Missouri Valley Drainage District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the Missouri Valley Drainage District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.


As described in Note 1, these financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and the major fund of the Missouri Valley Drainage District as of June 30, 2012, and the respective changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 7, 2013 on our consideration of the Missouri Valley Drainage District'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 and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Missouri Valley Drainage District's basic financial statements. The Schedule of Expenditures of Federal Awards, supplementary information required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 7, 2013



## **Basic Financial Statements**

**Missouri Valley Drainage District**

Missouri Valley Drainage District

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2012

	Disbursements	Program Revenues Operating Grants, Contributions and Restricted Interest	Net Expense and Change in Cash Basis Net Assets
<b>Functions/Programs:</b>			
Governmental activities:			
Drainage	\$ 1,132,271	865,611	(266,660)
<b>General Revenues:</b>			
Unrestricted interest on investments			606
Rent			11,250
Total general receipts			11,856
Change in cash basis net assets			(254,804)
Cash basis net assets beginning of year			177,171
Cash basis net assets end of year			\$ (77,633)

See notes to financial statements.

**Exhibit B**

---

## Missouri Valley Drainage District

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
General Fund

As of and for the year ended June 30, 2012

Receipts:	
FEMA reimbursements	\$ 799,801
Drainage assessments	65,810
Rent	11,250
Interest on investments	606
Total receipts	<u>877,467</u>
Disbursements:	
Repair and maintenance	1,055,450
Administration	26,457
Project management service fees	44,929
Miscellaneous	5,435
Total disbursements	<u>1,132,271</u>
Deficiency of receipts under disbursements	(254,804)
Cash balance beginning of year	<u>177,171</u>
Cash balance end of year	<u>\$ (77,633)</u>
<b>Cash Basis Fund Balance</b>	
Unrestricted	<u>\$ (77,633)</u>

See notes to financial statements.

Missouri Valley Drainage District

Notes to Financial Statement

June 30, 2012

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

The Missouri Valley Drainage District is a political subdivision of the State of Iowa located in Fremont County. A Board of Trustees elected on a non-partisan basis is responsible for managing the Drainage District. The Drainage District collects drainage assessments from landowners for the purpose of maintaining ditches and draining water from the land within the District.

A. Reporting Entity

For financial reporting purposes, the Missouri Valley Drainage District has included all funds, organizations, agencies, boards, commissions and authorities. The District 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 District are such that exclusion would cause the District's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District 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 District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from this statement.

The Statement of Activities and Net Assets presents the District's non-fiduciary net assets, as follows:

*Unrestricted net assets* often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include grants, contributions and interest on investments restricted to meeting the operational requirements of a particular function. Other items not included among program receipts are reported instead as general receipts.

Fund Financial Statement - A separate financial statement is provided for the governmental fund. The District reports the following major government fund:

The General Fund is the general operating fund of the District. All receipts are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs.

C. Basis of Accounting

The District maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the District 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 District in accordance with U.S. generally accepted accounting principles.

**(2) Cash and Investments**

The District's deposits in banks at June 30, 2012 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 District 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 District; 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Risk Management**

The District is exposed to various risks of loss related to theft, and errors and omissions. The District assumes liability for any claims. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(4) Drainage Warrants Payable**

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available. At June 30, 2012, outstanding warrants totaled \$62,271.

Drainage warrants are paid solely from drainage assessments against benefited properties.

**(5) Deficit Balance**

The General Fund had a deficit balance of \$77,633 at June 30, 2012. The deficit balance was the result of flood repair costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of assessments and grant funds.

**Supplementary Information**

**Schedule 1**

Missouri Valley Drainage District  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Emergency Watershed Protection Program	10.923	68-6424-12-229	\$ 58,700
Indirect:			
U.S. Department of Homeland Security: Iowa Department of Public Defense: Iowa Homeland Security and Emergency Management Division: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	CA6069A0031	703,180
Missouri Department of Public Safety: State Emergency Management Agency: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	MO DSR 005-11-001	13,239
Total indirect			716,419
Total			\$ 775,119

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Missouri Valley Drainage District and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.





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

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA  
Auditor of State

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 of Trustees of the  
Missouri Valley Drainage District:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Missouri Valley Drainage District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated June 7, 2013. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audits 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.

Internal Control Over Financial Reporting

Management of the Missouri Valley Drainage District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Missouri Valley Drainage District'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 Missouri Valley Drainage District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Missouri Valley Drainage District's internal control over financial reporting.

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 District's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

## Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Missouri Valley Drainage District'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 that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings and Questioned Costs.


Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. 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.

The District's written response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the District's response, we did not audit the District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Missouri Valley Drainage District and other parties to whom the District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Missouri Valley Drainage District 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

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 7, 2013



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Board of Trustees of the  
Missouri Valley Drainage District:

### Compliance

We have audited the Missouri Valley Drainage District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the Missouri Valley Drainage District's major federal program for the year ended June 30, 2012. The Missouri Valley Drainage District's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the Missouri Valley Drainage District's management. Our responsibility is to express an opinion on the Missouri Valley Drainage District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Missouri Valley Drainage District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Missouri Valley Drainage District's compliance with those requirements.

In our opinion, the Missouri Valley Drainage District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.


### Internal Control Over Compliance


The management of the Missouri Valley Drainage District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Missouri Valley Drainage District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Missouri Valley Drainage District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Missouri Valley Drainage District and other parties to whom the Missouri Valley Drainage District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 7, 2013

Missouri Valley Drainage District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weakness over internal control for the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The Missouri Valley Drainage District did not qualify as a low-risk auditee.

Missouri Valley Drainage District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

**Part II: 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.

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major program were noted.

Missouri Valley Drainage District

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

- (1) Questionable Disbursements – No disbursements 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 disbursements of District money for travel expenses of spouses of District officials or employees were noted.
- (3) District Minutes – No transactions were found that we believe should have been approved in the minutes but were not.
- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- (5) Financial Condition – The District’s General Fund had a deficit balance of \$77,633 at June 30, 2012.

Recommendation – The District should investigate alternatives to eliminate this deficit to return this fund to a sound financial position.

Response – The District collected its 2012 assessment in September 2012 and the State of Iowa share on FEMA projects in November 2012. The District now has a positive fund balance.

Conclusion – Response accepted.

---

Missouri Valley Drainage District

Staff

This audit was performed by:

Ernest H. Ruben Jr., CPA, Manager  
Russell G. Jordan, CPA, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State