



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand  
Auditor of State

## NEWS RELEASE

FOR RELEASE

October 29, 2019

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an audit report on Muscatine Agriculture Learning Center, Muscatine, Iowa.

### **FINANCIAL HIGHLIGHTS:**

The Center had total receipts of \$102,581 for the year ended June 30, 2019, a 13.7% decrease from the prior year. Disbursements for the year ended June 30, 2019 totaled \$47,367 a 35.4% decrease from the prior year. The significant decrease in receipts and disbursements is due primarily to a decrease in grants received and a decrease in spending for contract labor and repair and maintenance during the year.

### **AUDIT FINDINGS:**

Sand reported three findings related to the receipt and disbursement of taxpayer funds. They are found on pages 14 through 16 of this report. The findings address issues such as a lack of segregation of duties, the lack of a reconciliation of customer billings to collections and accounts receivable and noncompliance with Chapter 28E.6 of the Code of Iowa with regard to Board meeting minutes publications. Sand provided the Center with recommendations to address each of the findings.

The Board has a fiduciary responsibility to provide oversight of the Center's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

###

**MUSCATINE AGRICULTURAL LEARNING CENTER**

**INDEPENDENT AUDITOR'S REPORT  
FINANCIAL STATEMENT  
SCHEDULE OF FINDINGS**

**YEAR ENDED JUNE 30, 2019**

**Muscatine Agriculture Learning Center**



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Rob Sand  
Auditor of State

September 26, 2019

Officials of the Muscatine Agriculture Learning Center  
Muscatine, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Muscatine Agriculture Learning Center for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Muscatine Agriculture Learning Center throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand  
Auditor of State

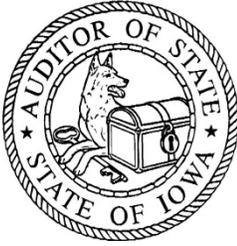
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**Muscatine Agricultural Learning Center**

**Officials at June 30, 2019**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Tim Schneider	President	Agricultural Business
Bruce Reade	Vice President	Agricultural Business
Dena Bates	Secretary	Friends of the Muscatine Future Farmers of America
Ryan Cox	Treasurer	Agricultural Business
Mary Wildermuth	Member	Retired Muscatine Schools
Dr. Naomi DeWinter	Member	Eastern Iowa Community College
Dave Fowler	Member	Friends of the Muscatine Future Farmers of America
Julia Dieckman	Member	Eastern Iowa Community College
Jerry Riibe	Member	Muscatine Community School District



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## Independent Auditor's Report

To the Board of Directors of the Muscatine Agricultural Learning Center:

### Report on the Financial Statement

We have audited the accompanying financial statement of the Muscatine Agricultural Learning Center as of and for the year ended June 30, 2019 and the related Notes to Financial Statement.

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement 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 statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statement 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 Center'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 statement.

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

### Opinion

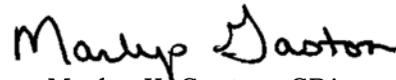
In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Muscatine Agricultural Learning Center as of June 30, 2019 and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2019 on our consideration of the Muscatine Agricultural Learning Center'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 Center's 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 Muscatine Agricultural Learning Center's internal control over financial reporting and compliance.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

September 26, 2019

**Muscatine Agricultural Learning Center**

## **Financial Statement**

**Muscatine Agricultural Learning Center**

Muscatine Agricultural Learning Center

Statement of Cash Receipts, Disbursements and  
Changes in Cash Balance

Year ended June 30, 2019

Operating receipts:	
Facility and stall rental	\$ 81,245
Crop sales	14,204
Sponsorship and entry fees	5,180
Total operating receipts	<u>100,629</u>
Operating disbursements:	
Accounting and legal	8,121
Advertising	548
Insurance	5,420
Contract labor	7,979
Repair and maintenance	3,365
Supplies	2,785
Telephone	799
Utilities	18,250
Total operating disbursements	<u>47,267</u>
Excess of operating receipts over operating disbursements	<u>53,362</u>
Non-operating receipts (disbursements):	
Donations	1,715
Interest on investments	237
Service fee	(100)
Net non-operating receipts	<u>1,852</u>
Change in cash balance	55,214
Cash balance beginning of period	218,289
Cash balance end of period	<u>\$ 273,503</u>
<b>Cash Basis Fund Balance</b>	
Unrestricted	<u>\$ 273,503</u>

See notes to financial statements.

Muscatine Agricultural Learning Center

Notes to Financial Statement

June 30, 2019

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

The Muscatine Agricultural Learning Center was formed in 2009 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Center is to construct and operate an agricultural learning center facility to provide educational opportunities for students of the Muscatine Community School District and other students in the region through Eastern Iowa Community College and promote access to agricultural related activities to the general public. Current members include Friends of the Muscatine Future Farmers of America, Eastern Iowa Community College and the Muscatine Community School District.

The Center's Board of Directors is comprised of nine representatives, including two from each member, two who are actively engaged in agricultural business appointed by majority vote of the Board of Directors and one community representative who shall be a resident of Muscatine County, Iowa appointed by majority vote of the Board of Directors.

A. Reporting Entity

For financial reporting purposes, the Muscatine Agricultural Learning Center (Center) has included all funds. The Center 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 Center are such that exclusion would cause the Center'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 Center 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 Center. The Center has no component units which meet the Governmental Accounting Standards Board criteria.

The Agricultural Learning Center of Muscatine Charitable Fund (Charitable Fund) is a component fund of the Community Foundation of Greater Muscatine, a 501(c)(3) nonprofit organization. The Center may request distribution of the amounts held in the component fund. On June 30, 2019, the Charitable Fund balance of \$1,776 was included in the Center's cash balance.

B. Basis of Presentation

The accounts of the Center are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

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.

C. Basis of Accounting

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

**(2) Cash and Investments**

The Center's deposits in banks at June 30, 2019 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 ensure there will be no loss of public funds.

The Center 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 Center; 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 Center had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Risk Management**

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



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Rob Sand  
Auditor of State

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

To the Board of Directors of the Muscatine Agricultural Learning Center:

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 statement of the Muscatine Agricultural Learning Center as of and for the year ended June 30, 2019, and the related Notes to Financial Statement, and have issued our report thereon dated September 26, 2019. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Muscatine Agricultural Learning Center's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Muscatine Agricultural Learning Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Muscatine Agricultural Learning Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Muscatine Agricultural Learning Center's financial statement will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Muscatine Agricultural Learning Center's financial statement is 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.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Center. 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.

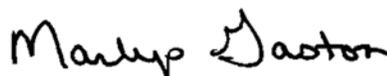
### The Muscatine Agricultural Learning Center's Responses to the Findings

The Muscatine Agricultural Learning Center's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Muscatine Agricultural Learning Center's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

### 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 Center'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 Center'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 Muscatine Agricultural Learning Center 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.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

September 26, 2019

Muscatine Agricultural Learning Center

Schedule of Findings

Year ended June 30, 2019

**Findings Related to the Financial Statement:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same individual. This segregation of duties helps prevent losses from individual error or dishonesty and maximizes the accuracy of the Center’s financial statements.

Condition – One or two individuals have primary control over opening mail, collecting receipts, preparing deposits, billing and tracking customer accounts.

Cause – The Center has a limited number of staff and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Center’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by staff in the normal course of performing their assigned functions.

Recommendation – The Center should utilize available staff or designate a member of the Board to provide additional control through review of financial transactions to help ensure receipts are properly recorded and deposited intact and accounts receivable records are properly maintained. Evidence of review of transactions and reconciliations should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – The Center will implement a board member reviewing transactions, initialing and dating to create additional review.

Conclusion – Response accepted.

(B) Reconciliation of Billings, Collections and Accounts Receivable

Criteria – An effective internal control system provides for internal controls related to reconciling collections to customer billings and accounts receivable to ensure the accuracy of accounts receivable.

Condition – The Center did not have procedures in place to ensure accounts receivable reconciliations were prepared.

Cause – Policies have not been established and procedures have not been implemented to reconcile accounts receivable to ensure the accuracy of customer billings, collections and receivables.

Muscatine Agricultural Learning Center

Schedule of Findings

Year ended June 30, 2019

Effect – Since accounts receivable reconciliations were not performed, misstatements of customer billings, collections and/or receivables may not have been prevented or detected and corrected on a timely basis in the normal course of operations.

Recommendation – Procedures should be established to reconcile customer billings, collections and accounts receivable monthly. The Board should review the reconciliation and monitor delinquent accounts.

Response – The Center will reconcile accounts receivable and will implement a board member reviewing account receivable, initialing and dating to create additional review.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Muscatine Agricultural Learning Center

Schedule of Findings

Year ended June 30, 2019

**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 Center money for travel expenses of spouses of Center officials or staff were noted.
- (3) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were noted. However, the minutes for three meetings were not submitted for publication within 20 days following adjournment of the meeting and the publication of the minutes for five meetings did not include a schedule of bills allowed as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The Center should ensure the minutes, including the schedule of bills allowed, are published as required.

Response – The Center will publish the schedule of bills allowed for October 18, December 18, February 19, April 19 and June 19 as well as for all future meetings. The Center will also ensure the minutes for each meeting are submitted for publication within 20 days as required.

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Center's investment policy were noted.

Muscatine Agricultural Learning Center

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Brian R. Brustkern, CPA, Manager  
Sidot K. Shipley, Senior Auditor  
David A. Slocum, Assistant Auditor