



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE _____ December 4, 2009

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Iowa Agricultural Development Authority for the year ended June 30, 2009.

The Iowa Agricultural Development Authority reported total revenues of \$530,446 for fiscal year 2009, a decrease of 24.5% from 2008. Revenues included \$225,895 from beginning farmer loan program fees, \$140,460 from interest income on loans, \$84,216 from interest income on cash and investments and \$29,500 from tax credit program fees. Expenses of the Iowa Agricultural Development Authority for fiscal year 2009 totaled \$541,593, a 10% decrease from the prior year. The Authority reported a decrease in net assets of \$11,147.

A copy of the audit report is available for review in the Iowa Agricultural Development Authority's Office, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/index.html>.

###

IOWA AGRICULTURAL DEVELOPMENT AUTHORITY

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

JUNE 30, 2009

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Statement of Net Assets	A	15
Statement of Revenues, Expenses and Changes in Fund Net Assets	B	16
Statement of Cash Flows	C	17
Notes to Financial Statements		18-23
Supplementary Information:	<u>Schedule</u>	
Budgetary Comparison Schedule of Revenues and Expenses - Budget to Actual	1	27
Balance Sheet by Program Fund	2	28-29
Schedule of Revenues, Expenses and Changes in Fund Net Assets by Program Fund	3	30-31
Schedule of Operating Expenses by Program Fund	4	32-33
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>		35-36
Schedule of Findings		37-38
Staff		39

Iowa Agricultural Development Authority

Officials

Name

Title

State

Honorable Chester J. Culver	Governor
Honorable Michael L. Fitzgerald	Treasurer of State
Richard Oshlo	Interim Director, Department of Management

Board Members

Fred Lundt	Chair
Jayme J. Unga	Vice Chair
Annette J. Townsley	Treasurer
Cheryl Adam	Member
Frank J. Carroll	Member
Kathleen Delate	Member
Timothy Galm	Member
Evelyn M. Rank	Member
Greg Steelsmith	Member
Honorable Chester J. Culver	Member Ex-Officio
Honorable Michael L. Fitzgerald	Member Ex-Officio

Iowa Agricultural Development Authority



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, 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 Members of the Iowa
Agricultural Development Authority:

We have audited the accompanying financial statements of the Iowa Agricultural Development Authority, a component unit of the State of Iowa, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements listed in the table of contents. These financial statements are the responsibility of the Iowa Agricultural Development Authority's management. Our responsibility is to express an opinion 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 opinion.

As discussed in Note 1, the financial statements of the Iowa Agricultural Development Authority are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the component units of the State that is attributable to the transactions of the Iowa Agricultural Development Authority. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2009, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

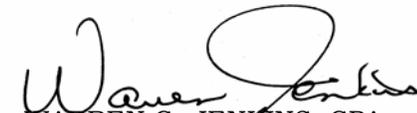
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Iowa Agricultural Development Authority as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2009 on our consideration of the Iowa Agricultural Development Authority'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.

Management's Discussion and Analysis on pages 7 through 12 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Iowa Agricultural Development Authority's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 5, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Iowa Agricultural Development Authority (Authority) provides this Management's Discussion and Analysis of the Authority's annual financial statements. This narrative overview and analysis of the financial activities of the Authority is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Authority's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Total revenues of the Authority decreased 25%, or approximately \$173,000, from fiscal year 2008 to fiscal year 2009. Approximately \$101,000 of the decrease was due to program fees collected related to the various programs offered by the Authority.
- The dollar volume and number of tax exempt bonds issued under the Beginning Farmer Loan Program (BFLP) increased when compared to fiscal year 2008. The Authority continues to lead the nation in both number and dollar volume of loans. The BFLP loan fees represent the major portion of revenue for the Authority and we continually promote and market the program. Land prices continue to make it difficult for beginning farmers to purchase agricultural production assets and the BFLP represents an important tool in helping aspiring beginning farmers reach their goal of farm ownership. The number of applications approved during fiscal year 2009 was higher than fiscal year 2008. However, the average loan size was down slightly as more lenders use the BFLP program in conjunction with the Farm Service Agency (FSA). In response to the current agricultural economic climate, several significant enhancements were made to the BFLP program in fiscal year 2008. This had a positive effect on the program and provides an opportunity to more of Iowa's aspiring beginning farmers to get their start.
- Interest income on investments decreased dramatically, approximately \$118,000, or 58%, during the year. Low investment rates continue to impact the Authority's income statement and continue to have a serious impact on the earnings of the Authority.
- In January 2007, the Authority began offering the Beginning Farmer Tax Credit Program. This program provides a state income tax credit to agricultural asset owners which lease their assets to qualified beginning farmers. This program has been hugely successful with over 600 applications received to date. This program had a positive effect on revenues as we were able to implement and operate the program with existing staff.
- Expenses of the Authority decreased 10%, or approximately \$60,000, in fiscal year 2009 from fiscal year 2008. Approximately \$30,000 of the decrease is related to employee compensation within the General and Administrative Fund. Fiscal year 2008 was the first year the Authority recorded the expense and liability for the State's Sick Leave Insurance Program (SLIP). Therefore, expenses were higher in the previous year. In addition, the allowance for loan losses was decreased \$10,000 due to the reduction in the percentage believed to be uncollectible. This decrease was reported as a revenue in fiscal year 2009 and fiscal year 2008 reported a bad debt expense of \$44,000.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Iowa Agricultural Development Authority's basic financial statements. The Authority's basic financial statements consist of two basic areas. Income, expenses, assets and liabilities are allocated to the Administrative/BFLP Fund and the Rural Rehabilitation Trust Fund (RRTF). The RRTF is further divided between the Loan Participation Program (LPP) and the Trust Fund accounts. The tax credit programs are contained within the Administrative/BFLP Fund.

The RRTF is managed by the Authority through a Use Agreement executed with the U.S. Department of Agriculture. The Use Agreement allows the Authority to use the fund for assistance to low income farmers, agricultural educational programs and administrative expenses. The fund is currently used for the Loan Participation Program, the Iowa Agricultural Youth Institute and contributions to ag education groups. Also, the Use Agreement allows the Authority to annually use 3 percent of the fund for administrative expenses.

The Administrative/BFLP fund consists of revenues generated from the Beginning Farmer Loan Program and the tax credit program and general administrative expenses required to operate the office. Only program specific costs, such as legal fees and IAYI expenses, are allocated to the RRTF accounts.

The Authority does not receive general fund monies from the State of Iowa. The Authority is a self-funded agency, which charges modest loan origination and closing fees. The fees and investment income pay the Authority's operating expenses.

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Authority's financial activities.

The Basic Financial Statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows. These provide information about the activities of the Authority as a whole and present an overall view of the Authority's finances.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Supplementary Information provides detailed information about the individual funds. The Budgetary Comparison Schedule of Revenues and Expenses – Budget to Actual further explains and supports the financial statements with a comparison of the Authority's budget for the year.

COMPARISON WITH PRIOR YEAR AND SIGNIFICANT FINANCIAL FACTORS

The Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the Authority as a whole at the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the Authority to the readers of the financial statements. The Statement of Net Assets includes year-end information concerning current and noncurrent assets, current and noncurrent liabilities and net assets (assets less liabilities). Over time, readers of the financial statements will be able to determine the Authority's financial position by analyzing the increases and decreases in net assets. This statement is also a good source for readers to determine how much the Authority owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

Net Assets

	June 30,	
	2009	2008
Current and other assets	\$ 6,134,625	6,172,908
Capital assets, net of accumulated depreciation	11,773	18,097
Total assets	6,146,398	6,191,005
Current liabilities	37,010	75,176
Noncurrent liabilities	42,008	37,302
Total liabilities	79,018	112,478
Net assets:		
Invested in capital assets, net of related debt	11,773	18,097
Restricted	5,314,084	5,267,799
Unrestricted	741,523	792,631
Total net assets	\$ 6,067,380	6,078,527

Total assets as of year-end were \$6,067,380, a decrease of \$11,147 from the previous year end. This decrease is due primarily to the decrease in interest earned on investments as a result of declining interest rates during fiscal year 2009. Over 90 percent of the Authority's assets are investable or liquid assets and are subject to interest rate variability.

The RRTF represents 87.6 percent of the Authority's net assets. Approximately 46 percent of these assets are liquid and available for additional program development. The remainder of the assets are loans to Iowa farmers and represent a significant investment in helping Iowa's low-income farmers. The net equity of the RRTF increased \$46,285 in fiscal year 2009.

The Authority is very liquid, which can provide an operating cushion in adverse times. Likewise, this liquid position can potentially have an adverse or positive impact on earnings in times of interest rate volatility. The Authority continues to explore investment options to enhance the return on investable funds and will begin extending maturities on investments to maximize returns as the yield curve indicates. This will be done while maintaining safe, secure investments and complying with state investment guidelines.

Liabilities are limited to various accounts payable and compensated absences. The compensated absences represent less risk to the Authority than in the past as one long time employee has retired and received her payout. It is anticipated to be a minimum of three years before another retirement.

Statement of Revenues, Expenses and Changes in Fund Net Assets

Changes in net assets presented in the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Fund Net Assets. The purpose of the statement is to present the revenues earned by the Authority, both operating and non-operating, and the expenses incurred by the Authority.

Changes in Net Assets

	Year ended June 30,	
	2009	2008
Operating revenues:		
Interest on loans	\$ 140,460	104,953
Program fees	265,270	366,117
Iowa agricultural youth institute contributions	30,500	29,700
Decrease in the estimate of allowance for loan losses	10,000	-
Total operating revenues	446,230	500,770
Operating expenses:		
General and administrative	403,695	433,320
BFLP direct expenses	78,430	70,096
LPP direct expenses	753	1,787
Iowa agricultural youth institute	38,496	32,698
Grants to agricultural development and education programs	20,219	20,194
Bad debt expense	-	44,000
Total operating expenses	541,593	602,095
Operating loss	(95,363)	(101,325)
Non-operating revenues:		
Interest on investments	84,216	202,207
Increase (decrease) in net assets	(11,147)	100,882
Net assets beginning of year	6,078,527	5,977,645
Net assets end of year	\$ 6,067,380	6,078,527

The loan application and closing fees collected as part of the BFLP typically represent the largest source of revenue for the Authority. While BFLP volume was up slightly for the year, the tax credit program and the closing of the DNR program caused a decrease in revenues from fiscal year 2008, from \$366,117 to \$265,270.

Interest income from loans increased approximately \$35,500 compared to the previous year. Year end loans outstanding increased approximately \$474,000 over the previous year end. Most of the loan growth can be attributed to program enhancements which were implemented in the fall of 2007. This made the programs underwriting guidelines much more flexible and user friendly. Also, we now offer a 5% fixed interest rate on the loans which reduces interest rate risk to the Authority.

The most significant factor affecting the Authority's income is interest income on cash and investments. The volatility of investment interest rates can dramatically affect the Authority's operating statement. The Authority again had several certificate of deposit investments mature during the year and we continued to reinvest short term to take advantage when interest rates begin to rise. Also, the yield curve is flat, so there is no incentive to invest long term. The Authority is authorized to use alternative investment options and we continue to explore these as investment opportunities to enhance income.

The Authority, in response to lower investment rates, reduced expenses by 10% in fiscal year 2009. Most of this reduction was due to a reduction in employee salaries and compensation. During the fiscal year, the Authority had a long time employee retire. This employee was replaced at a much lower salary. The Authority also reported an expense and liability related to the State's SLIP program for the first time in fiscal year 2008. There was also a decrease to the Loan Loss Reserve Account due to a perceived low risk in the Participation Program loan portfolio. No bonuses were awarded during fiscal year 2009. The Authority is continually exploring ways to reduce expenses.

The Authority is a significant sponsor of the Iowa FFA Foundation. Support of agricultural education programs is an authorized use of the RRTF and the sponsorship is paid from that fund. The Authority's Board of Directors strongly believes support of the FFA and its programs help ensure the future of agriculture in Iowa and cultivate a base of potential beginning farmers for the Authority's programs.

Statement of Cash Flows

The Statement of Cash Flows is an important tool in helping users assess the Authority's ability to generate future net cash flows, its ability to meet its obligations as they come due and its need for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities.

Cash Flows

	Year ended June 30,	
	2009	2008
Cash provided (used) by:		
Operating activities	\$ (606,385)	(1,118,397)
Capital and related financing activities	-	(6,798)
Investing activities	82,182	177,480
Net decrease in cash	(524,203)	(947,715)
Cash beginning of year	3,040,264	3,987,979
Cash and cash equivalents end of year	2,516,061	3,040,264
Investments	678,335	659,079
Cash and investments end of year	\$ 3,194,396	3,699,343

Cash used by operating activities includes investment, repayment and interest on loans, fees and contributions and grants made, net of payments to employees and suppliers. Cash used by capital and related financing activities represents the purchase of capital assets. Cash provided by investing activities includes investment income received. For the year ended June 30, 2009, the Authority paid out \$742,000 in new loans.

ACTUAL VERSUS BUDGET

Revenues were above budget projections for the year by \$11,446 due to an increase in interest income on loans and an increase in BFLP loan closing fees. In addition, sponsor donations to the Youth Institute exceeded budget due to a grant from the Farm Credit Foundation and the acquisition of several other new sponsors.

As indicated earlier, BFLP fee income represents a significant portion of total revenue. Despite continuing high land prices, BFLP volume exceeded the previous year and budget expectations. The Authority actively markets the BFLP program and promotes the use of companion programs which assist beginning farmers with down payment and interest rate reductions. Continued marketing efforts will be done in fiscal year 2010 in an attempt to maintain BFLP volume. In addition, several enhancements at both the state and federal level made to the BFLP program in the summer of 2008 should increase the use of the program in future years.

Overall expenses exceeded budget projections. In a few categories, the budget was exceeded marginally. However, since the Authority is a non-general fund agency, this does not represent a significant problem. Employee compensation expense exceeded the budget amount due to the need to hire a temporary employee to issue tax credit certificates as required by law that was not anticipated during the budgeting process.

Additionally, legal fees exceeded the budgeted amount. However, this expense is directly tied to BFLP loan volume and the increase in this expense was offset by the additional revenue received from loan closing fees.

Another significant expense exception relates to the Iowa Agricultural Youth Institute (IAYI). Part of the additional expense can be attributed to increased attendance from historical levels, resulting in additional room and board expenses. However, as noted earlier, IAYI sponsored income exceeded budget by \$11,500, thus more than offsetting the increase in costs to deliver the program.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Farmland values have stabilized or in some areas are trending downward. This should have a positive effect of BFLP volume and income in the coming year.

We continue to see an increase in bankers using the Farm Service Agency (FSA) 50/45/5 program with our BFLP program. This program assists beginning farmers with down payments and also reduces the risk to the participating bank. Use of this program helps beginning farmers who otherwise might not qualify for credit and thus should further enhance our beginning farmer loan numbers. The Authority has a memorandum of understanding (MOU) with FSA whereby we cross-promote each other's programs. This has proven to be a very successful marketing arrangement for both parties.

During 2008, the maximum BFLP bond was increased from \$250,000 to \$450,000 at the federal level. Subsequently, the loan maximum increased to \$469,200 on January 1, 2009. This has provided additional fee income to the Authority and has also allowed beginning farmers to purchase more economically viable farms. Also, during 2008, the maximum net worth of a qualified beginning farmer was increased from \$300,000 to \$500,000, and was increased to \$600,000 for 2009. This has increased the eligible pool of applicants for the program.

Funding for the FSA program continues to be an issue and frequently delays the closing of our BFLP loans. To address this, the federal government increased the maximum loan amount and the State Legislature increased the net worth ceiling on our Loan Participation Program (LPP). These have been indexed to cost of living indexes and will adjust annually on January 1. This had a positive effect on loan volume and thus interest income on loans. Additional loan growth is anticipated for the LPP program in 2010. Increased use of the LPP program not only helps Iowa's beginning farmers get their start in farming, but also increases the yield on investable cash assets.

The Authority remains susceptible to investment rate risk due to our level of liquid assets. Our investments in CD's have intentionally been kept short term the past few years based on the shape of the yield curve. The Authority is now well positioned to take advantage of rising interest rates in the future as the yield curve returns to a more normal shape.

It is anticipated in fiscal year 2010, the BFLP and LPP loan volumes will exceed fiscal year 2009. The BFLP program continues to be the most successful program of its kind in the nation and is continually modeled by startup programs around the nation. In addition, the current ag real estate market prices are softening, thus making real estate purchases more affordable for beginning farmers.

In summary, the Authority is well positioned to provide assistance to Iowa's beginning farmers. Our programs assist beginning farmers get their start in production agriculture, which creates new businesses in Iowa.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and citizens of the state of Iowa with a general overview of the Iowa Agricultural Development Authority's finances and to show the Authority's accountability for monies under its discretion. If you have questions about the report or need additional financial information, contact the Iowa Agricultural Development Authority, 505 Fifth Avenue, Suite 327, Des Moines, IA 50309.

Basic Financial Statements

Iowa Agricultural Development Authority

Iowa Agricultural Development Authority

Statement of Net Assets

June 30, 2009

Assets	
Current assets:	
Cash and investments	\$ 809,292
Loans receivable, net	253,151
Accrued interest receivable	55,615
Total current assets	<u>1,118,058</u>
Noncurrent assets:	
Restricted cash	2,385,104
Loans receivable, net	2,631,463
Capital assets, net of accumulated depreciation	11,773
Total noncurrent assets	<u>5,028,340</u>
Total assets	<u>6,146,398</u>
Liabilities	
Current liabilities:	
Accounts payable	18,220
Compensated absences	18,790
Total current liabilities	<u>37,010</u>
Noncurrent liabilities:	
Compensated absences	<u>42,008</u>
Total liabilities	<u>79,018</u>
Net Assets	
Invested in capital assets	11,773
Restricted net assets	5,314,084
Unrestricted net assets	741,523
Total net assets	<u>\$ 6,067,380</u>

See notes to financial statements.

Exhibit B

Iowa Agricultural Development Authority

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended June 30, 2009

Operating revenues:	
Interest income on loans	\$ 140,460
Beginning farmer loan program (BFLP) fees	225,895
Loan participation program (LPP) fees	9,875
Tax credit program fees	29,500
Iowa agricultural youth institute sponsor contributions	26,500
Iowa agricultural youth institute registration contributions	4,000
Decrease in the estimate of allowance for loan losses	10,000
Total operating revenues	<u>446,230</u>
Operating expenses:	
General and administrative	403,695
BFLP direct expenses	78,430
LPP direct expenses	753
Iowa agricultural youth institute	38,496
Grants to agricultural development and education programs	20,219
Total operating expenses	<u>541,593</u>
Operating loss	(95,363)
Non-operating revenues:	
Interest income on cash and investments	<u>84,216</u>
Change in net assets	(11,147)
Net assets beginning of year	<u>6,078,527</u>
Net assets end of year	<u>\$ 6,067,380</u>

See notes to financial statements.

Iowa Agricultural Development Authority

Statement of Cash Flows

Year ended June 30, 2009

Cash flows from operating activities:		
Investment in loans	\$ (742,000)	
Repayments on loans	268,327	
Interest income on loans	132,825	
Fees and contributions	303,192	
Grants to agricultural development and educational programs	(20,219)	
Cash paid to suppliers	(242,159)	
Cash paid to employees	(306,351)	
Net cash used for operating activities		\$ (606,385)
Cash flows from investing activities:		
Interest on cash and investments		<u>82,182</u>
Net decrease in cash and cash equivalents		(524,203)
Cash and cash equivalents beginning of year		<u>3,040,264</u>
Cash and cash equivalents end of year		2,516,061
Investments		<u>678,335</u>
Cash and investments end of year		<u>\$ 3,194,396</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss		\$ (95,363)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	\$ 6,324	
Provision for doubtful accounts	(10,000)	
Changes in assets and liabilities:		
Increase in investment in loans, net	(473,673)	
Increase in accrued interest receivable on loans	(7,635)	
Decrease in accounts receivable	7,422	
Decrease in accounts payable	(33,048)	
Decrease in compensated absences	(412)	
Total adjustments		<u>(511,022)</u>
Net cash used for operating activities		<u>\$ (606,385)</u>

See notes to financial statements.

Iowa Agricultural Development Authority

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The Iowa Agricultural Development Authority (the Authority), a component unit of the State of Iowa, was created in 1980 under Chapter 175 of the Code of Iowa as a public instrumentality and agency of the State of Iowa to undertake programs which assist beginning farmers in purchasing agricultural land and improvements and depreciable agricultural property for the purpose of farming. Chapter 175 has been amended to include a Loan Participation Program and to expand the Beginning Farmer Loan Program to include an Individual Agricultural Development Bond Program. Chapter 175 also includes an operating Loan Guarantee Program and an Agricultural Loan Assistance Program, which are currently inactive.

The Authority, under the Individual Agricultural Development Bond Program, issues federally approved tax-exempt development bonds, the proceeds of which are to provide authorized agricultural and soil conservation financing. The bonds are payable solely from repayments of the loans, which have been assigned, without recourse, to the participating lending institutions. Participating lending institutions receive a federal tax exemption for the interest earned on the loans. These obligations do not constitute a debt of the State nor of the Authority, and neither is liable for any repayments. Therefore, the loans and bonds are not recorded in the Authority's financial statements.

Under Chapter 175 of the Code of Iowa, the Authority applied to the Secretary of Agriculture of the United States and received the trust assets previously held by the United States for the dissolved Iowa Rural Rehabilitation Corporation (IRRC). The assets are subject to the provisions of an agreement which specify certain limitations on the use of such assets and the types of securities in which the assets may be invested.

In fiscal year 1997, the Authority started the IADA Loan Participation Program. The Authority transferred \$2,000,000 of funds from the IRRC into the program. The program is designed to assist lenders and qualified farmers by participating on a last-in, last-out basis in a loan for the purchase of agricultural property. The Authority will participate in qualifying loans to low income farmers up to the lesser of \$150,000 or 30 percent of the purchase price.

In fiscal year 2007, the Authority started to administer the Beginning Farmer Tax Credit Program for the State of Iowa. To operate this program, the Authority receives application fees for each tax credit certificate issued.

The Authority conducts the Iowa Agricultural Youth Institute annually.

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

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

B. Basis of Presentation

The accounts of the Authority are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The 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.

The Authority applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Assets

Cash, Cash Equivalents and Investments – The Authority considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2009 include certificates of deposit of \$678,335.

Loans Receivable – Interest on loans is accrued and credited to operations based primarily on the principal amount outstanding. Accrual of interest income on any loan is discontinued when, in the opinion of management, there is reasonable doubt as to the ability to timely collect interest or principal.

Capital Assets – Furniture and equipment are recorded at cost and depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from five to ten years.

Compensated Absences – Employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time for subsequent use or for payment upon termination, death or retirement. The cost of earned vacation, sick pay and compensatory time are recorded as liabilities. These liabilities for compensated absences are based on current rates of pay.

Allowance for Loan Losses – The allowance for loan losses is established through a provision for loan losses charged to operations. Loans are charged against the allowance for loan losses when management believes collection of the principal is unlikely.

The allowance for loan losses is maintained at a level believed adequate by management to absorb potential losses in the loan portfolio. Management's determination of adequacy of the allowance is based on an evaluation of the portfolio, past loan experience, current economic conditions and other relevant factors.

Beginning Farmer Loan Fees – Beginning farmer loan fees include application and closing fees received in conjunction with the Individual Agricultural Development Bond Program.

Loan Participation Program Fees – Loan participation program fees include application and closing fees received in conjunction with the Loan Participation Program.

Tax Credit Program Fees – Tax credit program fees include application fees received in conjunction with managing the Iowa Beginning Farmer Tax Credit Act.

Grants to Agricultural Development and Education Programs – Contributions in the form of grants are made for various agricultural development and educational programs. Grants are recorded as expended by the Authority and unexpended amounts revert to the Authority at the expiration of the grant period.

Budgets and Budgetary Accounting – Authority staff prepare an annual budget for general operations. The budget is approved and monitored by the Authority's Board.

(2) Cash, Cash Equivalents and Investments

The Authority's deposits in banks and with the Treasurer of State throughout the period and at June 30, 2009 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 Authority 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 Authority's Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

(3) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets				
Furniture and equipment	\$ 64,453	-	-	64,453
Less accumulated depreciation	(46,356)	(6,324)	-	(52,680)
Total capital assets, net	\$ 18,097	(6,324)	-	11,773

(4) Lease Agreements

The Authority has entered into non-cancelable, operating leases for office space and certain office equipment. The following is a schedule of the future minimum lease payments under the agreements in effect at June 30, 2009.

Year Ending June 30,	Office Space	Office Equipment
2010	\$ 19,953	987
2011	9,976	411
Total minimum lease payments	\$ 29,929	1,398

Rent for office space and office equipment expense for the year ended June 30, 2009 totaled \$20,302 and \$987, respectively.

(5) Loans Receivable

The following is a summary of loans receivable at June 30, 2009:

Loans receivable	\$ 2,974,614
Less allowance for loan losses	<u>(90,000)</u>
Net loans receivable	2,884,614
Less current portion	<u>253,151</u>
Noncurrent loans receivable	<u><u>\$ 2,631,463</u></u>

(6) Pension and Retirement Benefits

The Authority contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the Authority is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The Authority's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$13,617, \$13,895 and \$10,858, respectively, equal to the required contributions for each year.

(7) Other Retirement Benefits

A voluntary termination benefit program has been established by the State of Iowa. The program is an opportunity for employees who are eligible upon a bona fide retirement to use the value of their unused sick leave to pay the employer share of the monthly premium of the State's group health insurance plan after their retirement.

Upon retirement, employees shall first receive cash payment for accumulated, unused sick leave converted at the employee's current regular hourly rate of pay, up to \$2,000, payable with the final payroll warrant that includes the employee's retirement date. The value of the remaining balance of the accrued sick leave will be converted based upon the original balance (before the cash payment). The remainder of the sick leave value is calculated based on the number of sick hours the employee had before the cash payment.

The final calculated dollar value will be credited to the employee's Sick Leave Insurance Program (SLIP). Each month, the retiree's former employing department will pay 100% of the employer share of the selected state group health insurance premium from the retiree's SLIP account. The retiree is responsible for any additional premiums associated with the employee/retiree share.

All program benefits are financed on a pay-as-you-go basis by the department from which the employee retired. Amounts calculated for this program are included in the compensated absences liability.

(8) United States Department of Agriculture Use Agreement

Effective June 30, 1980, all of the trust assets held by the United States in trust for the dissolved Iowa Rural Rehabilitation Corporation were transferred to the Authority, subject to the provisions of an agreement specifying the use of such assets for loans (as defined in the agreement), grants, establishment of reserves and other rural rehabilitation purposes as agreed between the Authority and the Federal government. The agreement provides, among other things, the annual cost of administration of the program shall not exceed 3 percent of the book value thereof during any fiscal year without the prior written approval of the U.S. government. During the year ended June 30, 2009, the Authority transferred \$158,000 to its administration fund for costs of administration. The calculated percentage was 2.99% for the year ended June 30, 2009. At June 30, 2009, net assets related to the Iowa Rural Rehabilitation Corporation Program were \$5,314,084.

(9) Risk Management

State employee benefits for health, dental, long-term disability and life insurance coverage are insured through commercial insurers. There were no significant reductions in insurance coverage for the prior year and settlements have not exceeded coverage for the past three fiscal years.

The State of Iowa self-insures on behalf of its agencies for losses related to workers' compensation, its motor vehicle fleet, property damage and torts. A contingent fund exists under Section 29C.20 of the Code of Iowa to provide compensation for loss or damage to state property (casualty losses).

Iowa Agricultural Development Authority

Supplementary Information

Iowa Agricultural Development Authority

Iowa Agricultural Development Authority

Budgetary Comparison Schedule of Revenues and Expenses -
Budget to Actual

Year ended June 30, 2009

	Original/ Final Budget	Actual Amounts Budgetary Basis	Variance Between Actual and Final Budget
Revenues:			
Interest income on loans	\$ 85,000	140,460	55,460
Interest income on investments	150,000	84,216	(65,784)
Beginning farmer loan program (BFLP) fees	200,000	225,895	25,895
Loan participation program (LPP) fees	15,000	9,875	(5,125)
Tax credit program fees	50,000	29,500	(20,500)
Iowa agricultural youth institute sponsor donations	15,000	26,500	11,500
Iowa agricultural youth institute registration fees	3,500	4,000	500
Other income	500	-	(500)
Decrease in the estimate of allowance for loan losses	-	10,000	10,000
Total revenues	<u>\$ 519,000</u>	<u>530,446</u>	<u>11,446</u>
Expenses:			
Employee compensation	\$ 290,000	307,872	(17,872)
Travel	16,000	12,863	3,137
Supplies and other	4,800	5,139	(339)
Postage	4,300	5,169	(869)
Printing	3,500	2,253	1,247
Telephone	2,700	2,934	(234)
Board expenses	12,500	7,887	4,613
Professional services	8,100	18,119	(10,019)
Office and computer equipment	10,000	5,564	4,436
Rent	19,950	20,302	(352)
Administrative services	4,500	3,372	1,128
Advertising and promotions	6,000	6,677	(677)
Legal fees	59,000	76,974	(17,974)
Public notices	1,500	1,429	71
Iowa agricultural youth institute	30,000	38,496	(8,496)
Grants to agricultural development and education programs	24,630	20,219	4,411
Depreciation	-	6,324	(6,324)
Total expenses	<u>\$ 497,480</u>	<u>541,593</u>	<u>(44,113)</u>

The Authority did not budget for depreciation.

See accompanying independent auditor's report.

Iowa Agricultural Development Authority

Balance Sheet by Program Fund

June 30, 2009

	<u>Administrative/ BFLP Fund</u>
Assets	
Current assets:	
Cash and investments	\$ 809,292
Loans receivable, net	-
Interest receivable	2,520
Total current assets	<u>811,812</u>
Noncurrent assets:	
Restricted cash and cash equivalents	-
Loans receivable, net	-
Furniture and equipment, net of accumulated depreciation	11,773
Total noncurrent assets	<u>11,773</u>
Total assets	<u><u>\$ 823,585</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 9,491
Compensated absences	18,790
Total current liabilities	<u>28,281</u>
Noncurrent liabilities:	
Compensated absences	42,008
Total liabilities	<u>70,289</u>
Net Assets	
Invested in capital assets	11,773
Restricted net assets	-
Unrestricted net assets	741,523
Total net assets	<u>753,296</u>
Total liabilities and net assets	<u><u>\$ 823,585</u></u>

See accompanying independent auditor's report.

Iowa Rural Rehabilitation Fund			
Loan			
Trust	Participation Program	Total	Grand Total
-	-	-	809,292
-	253,151	253,151	253,151
4,490	48,605	53,095	55,615
4,490	301,756	306,246	1,118,058
1,435,092	950,012	2,385,104	2,385,104
-	2,631,463	2,631,463	2,631,463
-	-	-	11,773
1,435,092	3,581,475	5,016,567	5,028,340
1,439,582	3,883,231	5,322,813	6,146,398
8,729	-	8,729	18,220
-	-	-	18,790
8,729	-	8,729	37,010
-	-	-	42,008
8,729	-	8,729	79,018
-	-	-	11,773
1,430,853	3,883,231	5,314,084	5,314,084
-	-	-	741,523
1,430,853	3,883,231	5,314,084	6,067,380
1,439,582	3,883,231	5,322,813	6,146,398

Iowa Agricultural Development Authority

Schedule of Revenues, Expenses and Changes in Fund Net Assets by Program Fund

Year ended June 30, 2009

	<u>Administrative/ BFLP Fund</u>
Operating revenues:	
Interest income on loans	\$ -
Beginning farmer loan program (BFLP) fees	225,895
Loan participation program (LPP) fees	-
Tax credit program fees	29,500
Iowa agricultural youth institute sponsor contributions	-
Iowa agricultural youth institute registration contributions	-
Decrease in estimate of allowance for loan losses	-
Total operating revenues	<u>255,395</u>
Operating expenses:	
General and administrative	403,695
BFLP direct expenses	78,430
LPP direct expenses	-
Iowa agricultural youth institute	-
Grants to agricultural development and education programs	-
Total operating expenses	<u>482,125</u>
Operating income (loss)	(226,730)
Nonoperating revenues:	
Interest income on cash and investments	19,057
Change in net assets before transfers	<u>(207,673)</u>
Transfers in	159,622
Transfers out	<u>(9,381)</u>
Total transfers	<u>150,241</u>
Change in net assets	(57,432)
Net assets beginning of year	<u>810,728</u>
Net assets end of year	<u>\$ 753,296</u>

See accompanying independent auditor's report.

Iowa Rural Rehabilitation Fund			
	Loan		
Trust	Participation	Total	Grand Total
	Program		
-	140,460	140,460	140,460
-	-	-	225,895
-	9,875	9,875	9,875
-	-	-	29,500
26,500	-	26,500	26,500
4,000	-	4,000	4,000
-	10,000	10,000	10,000
30,500	160,335	190,835	446,230
-	-	-	403,695
-	-	-	78,430
-	753	753	753
38,496	-	38,496	38,496
20,219	-	20,219	20,219
58,715	753	59,468	541,593
(28,215)	159,582	131,367	(95,363)
38,783	26,376	65,159	84,216
10,568	185,958	196,526	(11,147)
482	8,899	9,381	169,003
(158,800)	(822)	(159,622)	(169,003)
(158,318)	8,077	(150,241)	-
(147,750)	194,035	46,285	(11,147)
1,578,603	3,689,196	5,267,799	6,078,527
1,430,853	3,883,231	5,314,084	6,067,380

Iowa Agricultural Development Authority
 Schedule of Operating Expenses by Program Fund
 Year ended June 30, 2009

	General and Administrative	Beginning Farmer Loan Program
Employee compensation	\$ 307,872	-
Travel	12,863	-
Supplies and other	5,139	-
Postage	5,169	-
Printing	2,253	-
Telephone	2,856	-
Board expenses	7,887	-
Professional services	18,119	-
Office and computer equipment	5,564	-
Rent	20,302	-
Administrative services	2,670	702
Advertising and promotions	6,677	-
Legal fees	-	76,299
Public notices	-	1,429
Iowa agricultural youth institute	-	-
Grants to agricultural development and education programs	-	-
Depreciation	6,324	-
Total	<u>\$ 403,695</u>	<u>78,430</u>

See accompanying independent auditor's report.

Iowa Rural Rehabilitation Fund			
Trust	Loan Participation Program	Total	Grand Total
-	-	-	307,872
-	-	-	12,863
-	-	-	5,139
-	-	-	5,169
-	-	-	2,253
-	78	78	2,934
-	-	-	7,887
-	-	-	18,119
-	-	-	5,564
-	-	-	20,302
-	-	-	3,372
-	-	-	6,677
-	675	675	76,974
-	-	-	1,429
38,496	-	38,496	38,496
20,219	-	20,219	20,219
-	-	-	6,324
58,715	753	59,468	541,593

Iowa Agricultural Development Authority



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, 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 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 Members of the Iowa
Agricultural Development Authority:

We have audited the accompanying financial statements of the Iowa Agricultural Development Authority, a component unit of the State of Iowa, as of and for the year ended June 30, 2009, which collectively comprise the Iowa Agricultural Development Authority's basic financial statements listed in the table of contents, and have issued our report thereon dated November 5, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa Agricultural Development Authority'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 Agricultural Development Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Iowa Agricultural Development Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Iowa Agricultural Development Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Iowa Agricultural Development Authority's financial statements that is more than inconsequential will not be prevented or detected by the Iowa Agricultural Development Authority's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Iowa Agricultural Development Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

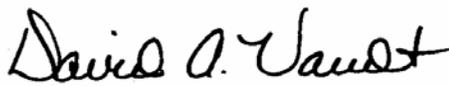
As part of obtaining reasonable assurance about whether the Iowa Agricultural Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could 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.

Comments involving other matters about the Authority's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Authority. 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 Iowa Agricultural Development Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Authority's responses, we did not audit the Iowa Agricultural Development Authority's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the State of Iowa and other parties to whom the Iowa Agricultural Development Authority may report. This report 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 Iowa Agricultural Development Authority 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 5, 2009

Iowa Agricultural Development Authority

Schedule of Findings

Year ended June 30, 2009

Findings Related to Financial Statements:

SIGNIFICANT DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one or two individuals may have control over the following areas for which no compensating controls exist:

- a. There is a lack of segregation of duties in opening and listing mail receipts, collecting, and posting daily receipts.
- b. There is no evidence an independent review of the bank reconciliation has occurred.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Authority should review the operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to staff shortages, the first half of the fiscal year, it was physically impossible to segregate these functions. However, deposits prepared by the accountant are reviewed by the Executive Director and deposits are completed by the Executive Director. In addition, for many years the Executive Director has maintained an independent log of loan closing fees received by loan. Recently, the Authority implemented the following procedure to handle mail receipts. Receipts are now opened and logged by the Administrative Assistant (AA) and then reviewed and posted by the accountant. Deposit review and the actual deposit is still completed by someone other than the accountant.

Conclusion – Response accepted.

(B) Capital Assets – Chapter 7A.30 of the Code of Iowa requires each department of the state to maintain a written, detailed and up-to-date inventory of property under its charge and control. The following were noted:

- a. Assets were not tagged with a state property tag.
- b. The Authority does not have written procedures for capitalizing assets or for properly accounting for additions and deletions.

Recommendation – The Authority should develop written procedures to ensure a detailed, up-to-date capital asset listing is maintained. Procedures should include, but not be limited to, ensuring capital asset additions are included in the capital asset listing when acquired, deletions are promptly reported and removed from the capital asset listing and all assets are properly accounted for, included on the capital asset listing and tagged with a state property tag.

Response – State property tags have not been used by the Authority for many years as the Iowa Code specifies all Authority property remains property of the Authority, not the State, until the Authority is disbanded.

Iowa Agricultural Development Authority

Schedule of Findings

Year ended June 30, 2009

The previous year's audit also noted this weakness; however, we were unable to locate the source of the tags. While the auditors were on site, with their assistance, we were able to locate the source of the tags and they have now been received and we are in the process of applying them and coding them to the capital asset list.

Granted the Authority does not have a written policy for capitalizing the assets, the decision to capitalize or expense assets purchased is typically made near year end when we have an idea of the financial position for the fiscal year. A policy will be developed, approved by the board and added to our current financial policy.

Conclusion – Response accepted.

- (C) Journal Entries – All journal entries, including error corrections, should be reviewed and approved by an independent official. The journal entries should be supported by adequate descriptions and documentation.

Recommendation – The Authority should implement procedures to ensure all journal entries, including error corrections, are reviewed and approved by an independent official. All journal entries should be adequately supported with complete descriptions and documentation.

Response – Approvals for journal entries, corrections were reviewed and verbally approved by the Executive Director. In the future, the corrections will be initialed and dated.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

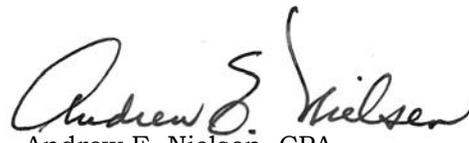
No matters were noted.

Iowa Agricultural Development Authority

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Donald J. Lewis, CPA, Staff Auditor
Kelly L. Hilton, Assistant 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".

Andrew E. Nielsen, CPA
Deputy Auditor of State