



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE

September 27, 2012

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Muscatine Agricultural Learning Center for the year ended December 31, 2011 and the six months ended December 31, 2010.

Receipts totaled \$212,241 for the year ended December 31, 2011, which included \$96,893 of donations, \$77,804 of facility and stall rentals and \$18,376 of livestock and crop sales. The Center's receipts totaled \$70,782 for the six months ended December 31, 2010, which included \$40,194 of donations, \$16,657 of facility and stall rentals and \$13,659 of livestock and crop sales.

Disbursements for the year ended December 31, 2011 totaled \$227,918 and included \$94,669 for principal and interest payments on loans, \$56,460 for facility manager wages and benefits and \$22,817 for supplies. Disbursements for the six months ended December 31, 2010 totaled \$112,969 and included \$37,814 for principal and interest payments on loans, \$27,235 for facility manager wages and benefits and \$18,083 for supplies.

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/1114-0036-B00F.pdf>.

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MUSCATINE AGRICULTURAL LEARNING CENTER

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

**YEAR ENDED DECEMBER 31, 2011 AND
SIX MONTHS ENDED DECEMBER 31, 2010**

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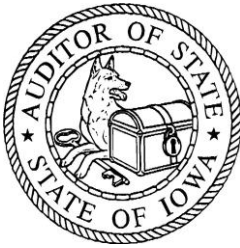
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Muscatine Agricultural Learning Center

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Doug Hoag	President	Friends of the Muscatine Future Farmers of America
Tom Welk	Vice President	Muscatine Community School District
Bill Phelan	Secretary	Eastern Iowa Community College
Rich Dwyer	Treasurer	Agricultural Business
Steve Ahmann	Member	Agricultural Business
Bob Allbee	Member	Eastern Iowa Community College
Bill Decker	Member	Muscatine Community School District
Randy Dew	Member	Muscatine County Residents
Rob Schmitt	Member	Friends of the Muscatine Future Farmers of America

Muscatine Agricultural Learning Center



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Independent Auditor's Report

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

We have audited the accompanying financial statement of the Muscatine Agricultural Learning Center as of and for the six months ended December 31, 2010 and the year ended December 31, 2011. This financial statement is the responsibility of the Muscatine Agricultural Learning Center's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, the Center's records do not permit the application of audit procedures to obtain sufficient competent evidential matter about the completeness and propriety of reported receipts. Accordingly, we were unable to satisfy ourselves as to the completeness and propriety of reported receipts.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient competent evidential matter about the completeness and propriety of reported receipts, as described in the preceding paragraph, 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 December 31, 2010 and December 31, 2011 and the changes in cash basis financial position for the six months ended December 31, 2010 and the year ended December 31, 2011 in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 13, 2012 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 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.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 13, 2012

Muscatine Agricultural Learning Center

Financial Statement

Exhibit A

Muscatine Agricultural Learning Center

Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net AssetsYear ended December 31, 2011 and
Six months ended December 31, 2010

	Year ended December 31, 2011	Six months ended December 31, 2010
Operating receipts:		
Facility and stall rental	\$ 77,804	16,657
Livestock and crop sales	18,376	13,659
Sponsorship and entry fees	3,468	-
Miscellaneous	2,120	100
Total operating receipts	<u>101,768</u>	<u>30,416</u>
Operating disbursements:		
Accounting and legal	11,650	730
Advertising	1,162	360
Equipment rental	4,663	564
Insurance	4,044	134
Facility manager wages and benefits	56,460	27,235
Repair and maintenance	8,179	3,999
Supplies	22,817	18,083
Telephone	1,335	662
Utilities	20,513	8,748
Service fee	561	381
Miscellaneous	1,865	259
Total operating disbursements	<u>133,249</u>	<u>61,155</u>
Deficiency of operating receipts under operating disbursements	<u>(31,481)</u>	<u>(30,739)</u>
Non-operating receipts (disbursements):		
Donations	96,893	40,194
Fundraising	13,457	-
Interest	123	172
Maeglin loan principal	(7,000)	-
Bank loan:		
Principal	(57,500)	(19,782)
Interest	(30,169)	(18,032)
Equipment	-	(14,000)
Net non-operating receipts (disbursements)	<u>15,804</u>	<u>(11,448)</u>
Decrease in cash basis net assets	(15,677)	(42,187)
Cash basis net assets beginning of period	24,931	67,118
Cash basis net assets end of period	<u>\$ 9,254</u>	<u>24,931</u>
Cash Basis Net Assets		
Unrestricted	<u>\$ 9,254</u>	<u>24,931</u>

See notes to financial statement.

Muscatine Agricultural Learning Center

Notes to Financial Statement

December 31, 2011 and December 31, 2010

(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 agribusiness 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 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.

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 December 31, 2011 and 2010 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 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. 3, as amended by Statement No. 40.

(3) Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years. The Center assumed liability for any deductibles and claims in excess of coverage limitations.

(4) Loans

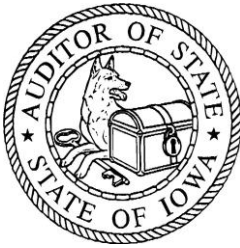
On September 16, 2008, the Center secured a \$750,389 loan at an interest rate of 5% per annum from Central State Bank for construction of the Muscatine Agricultural Learning Center facility. The loan matured on December 31, 2010 and was refinanced at six month intervals at 5% per annum interest requiring periodic interest only payments with the balance due March 2011, September 2011 and March 2012. During the six months ended December 31, 2010, the Center paid \$19,782 of principal and \$18,032 of interest on the loan. During the year ended December 31, 2011, the Center paid \$57,500 of principal and \$30,169 of interest on the loan. At each loan renewal, the Bank added a \$50 renewal charge to the loan balance. The balance of the loan at December 31, 2010 and December 31, 2011 was \$680,607 and \$623,207, respectively.

In March 2012, the loan was renewed, with 5% per annum interest, to a maturity date of June 30, 2013.

On October 28, 2009, Mr. Richard Maeglin loaned the Center \$7,000 at no interest to purchase cattle paddocks. The Center repaid the loan in full during the year ended December 31, 2011.

Muscatine Agricultural Learning Center

**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**



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Independent Auditor's Report on Internal Control
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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 the accompanying financial statement of the Muscatine Agricultural Learning Center as of and for the six months ended December 31, 2010 and the year ended December 31, 2011, and have issued our report thereon dated September 13, 2012. Our report on the financial statement, which was prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since we were unable to satisfy ourselves as to the completeness and propriety of reported receipts. 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

Management of the Muscatine Agricultural Learning Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Muscatine Agricultural Learning Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the Muscatine Agricultural Learning Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Muscatine Agricultural Learning Center'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 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. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 Muscatine Agricultural Learning Center's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (D) through (F) to be significant deficiencies.

Compliance and Other Matters

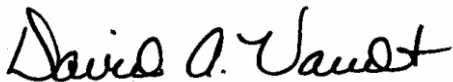
As part of obtaining reasonable assurance about whether the Muscatine Agricultural Learning Center's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could 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 certain immaterial instances of noncompliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Center's operations for the year ended December 31, 2011 and the six months ended December 31, 2010 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 identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Center's responses, we did not audit the Center'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 members and customers of the Muscatine Agricultural Learning Center and other parties to whom the Center 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 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 13, 2012

Muscatine Agricultural Learning Center

Schedule of Findings

Year ended December 31, 2011 and
Six months ended December 31, 2010

Findings Related to the Financial Statement:

INTERNAL CONTROL 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. One person has primary control over opening mail, collecting receipts, preparing deposits, billing and tracking customer accounts.

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 indicated by the signature or initials of the independent reviewer and the date of the review.

Response – We will assign an individual to open mail, collect receipts, prepare deposits and bill and track customer accounts. Another individual will oversee the proper recording of accounts receivable records and reconciliations. This individual's review will be signified by his signature. The Board Treasurer will review all transactions.

Conclusion – Response accepted.

- (B) Financial Reporting and Records – The Center engages the Muscatine Community School District, the Community Foundation of Greater Muscatine and the Friends of Muscatine Agricultural Learning Center to maintain records of cash receipts and cash disbursements. While these organizations maintain a detailed ledger listing each receipt and disbursement by date, the information is not recorded in a general ledger which categories the activity.

The Center did not maintain receipt records to support amounts deposited and reported. Prenumbered receipts were not issued for collections. In addition, the Center did not maintain rental agreements for facility and stall rentals to support these collections and did not maintain a receipts record for donations or fundraising collections received by the Center. An accounts receivable record documenting each customer and the amounts billed, paid and receivable was not maintained. In addition, a schedule of approved fees for various rentals is not maintained.

Recommendation – To aid and enhance the Board's ability to monitor line item budgets, available fund balance and make financial decisions, the Center should establish policies and procedures to ensure all transactions are properly recorded and categorized in a general ledger, including consolidation of record keeping for each of its individual accounts into one set of books.

Control over cash collections would be strengthened if prenumbered receipts were written in numerical sequence with an adequate explanation as to the nature of the receipt. For better accountability and financial/budgetary control over receipts, signed rental agreements supporting the amounts billed and collected should be maintained and retained, accounts receivable ledgers should be maintained documenting the amounts billed, collected and receivable for each customer and a written schedule of approved fees should be maintained to provide consistency for and support of amounts charged for various activities.

Muscatine Agricultural Learning Center

Schedule of Findings

Year ended December 31, 2011 and
Six months ended December 31, 2010

Response – The Board will approve and implement a plan by October 1. Contracts will be Board approved and prenumbered receipts will be issued for all cash transactions. The Center will utilize Quick Books to account for all transactions and track account receivable balances.

Conclusion – Response accepted.

- (C) Reconciliation of Billings, Collections and Delinquent Accounts – A listing of accounts receivable was not maintained and billings, collections and delinquent accounts were not reconciled monthly.

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

Response – An accounts receivable listing and reconciliation will be completed and reviewed at Board meetings. Credit terms will be established by October 1, 2012.

Conclusion – Response accepted.

- (D) Timely Deposits – Center deposits were made on an irregular basis, sometimes as few as one deposit during a month.

Recommendation - To safeguard cash and increase funds available for investment, receipts should be deposited intact at least weekly.

Response – Deposits will be made weekly.

Conclusion – Response accepted.

- (E) Computer Systems – During our review of internal control, the existing control activities in the Center's computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the Center's computer systems were noted:

The Center does not have written policies for:

- logging off unattended computers.
- password privacy and confidentiality.
- backups for personal computer hard drives.
- requiring the use of an anti-virus program on computers.
- ensuring only software licensed to the Center is installed on computers.
- usage of the internet.
- personal use of computer equipment and software.

Also, the Center does not have a written disaster recovery plan.

Muscatine Agricultural Learning Center

Schedule of Findings

Year ended December 31, 2011 and
Six months ended December 31, 2010

Recommendation – The Center should develop written policies addressing the above items in order to improve the Center’s control over computer systems. A written disaster recovery plan should also be developed.

Response – Written policies and a disaster recovery plan will be developed by January 1, 2013.

Conclusion – Response accepted.

- (F) Disbursements – One of nineteen disbursements tested was not paid timely to take advantage of the available discount and six of nineteen disbursements tested included the payment of sales tax.

Recommendation – The Center should establish procedures to ensure all disbursements are made timely to benefit from discounts and to ensure sales tax is not paid.

Response – Procedures are now in place to ensure discounts are received and sales tax is not paid.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Muscatine Agricultural Learning Center

Schedule of Findings

Year ended December 31, 2011 and
Six months ended December 31, 2010

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 employees were noted.
- (3) Center Minutes - No transactions we believe should have been approved in the Center minutes but were not were noted. Although the minutes record documents approval of disbursements, the specific list of disbursements approved is not documented. Minutes, including the schedule of disbursements allowed, were not published as required by Chapter 28E.6(3) of the Code of Iowa. The minutes were not signed.

Recommendation - The Center should include a list of the bills allowed with the minutes record and should ensure the minutes, including the schedule of bills allowed, are published as required. The minutes record should be signed to authenticate the actions taken.

Response - We will establish protocol so minutes will be signed and published as required.

Conclusion - Response accepted.

- (4) Deposits and Investments - Except the Board of Directors has not adopted a written investment policy or a resolution naming official depositories as required, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa except were noted.

Recommendation - The Board should adopt a written investment policy pursuant to Chapter 12B.10B of the Code of Iowa. Also, a resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted in accordance with Chapter 12C.2 of the Code of Iowa.

Response - The Board will adopt a written investment policy and a resolution naming official depositories.

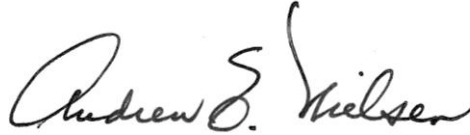
Conclusion - Response accepted.

Muscatine Agricultural Learning Center

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
James H. Pitcher, CPA Staff Auditor
Kirstie R. Hill, 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" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State