

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

June 11, 2013

Contact: Andy Nielsen
515/281-5834

The Office of Auditor of State today released an audit report on Mid-Iowa School Improvement Consortium, Carlisle, Iowa for the year ended June 30, 2012.

Mid-Iowa School Improvement Consortium (Consortium) was organized in 2004 as a non-profit corporation for charitable, educational, religious or scientific purposes. The Consortium is a consortium of one hundred forty-three community school districts concerned with implementing and designing effective assessments to ensure improved student achievement.

The Mid-Iowa School Improvement Consortium had total revenues of \$520,648 for the year ended June 30, 2012, an 11.9% increase over the prior year. The revenues included \$276,494 from membership dues, a 7.3% decrease from the prior year, and \$120,400 from Curriculum Manager software system fees, a 6.9% increase over the prior year. The increase in revenues is primarily due to the sale of software rights to the Iowa Department of Education offset by a decrease in membership dues resulting from fewer new school memberships.

Expenses totaled \$546,603 for the year ended June 30, 2012, a 16.8% increase over the prior year, and included \$308,090 for educational consultant services, \$66,210 for Curriculum Manager programming and management services and \$55,161 for travel. The increase in expenses was primarily a result of increased contract costs for educational consultant services.

A copy of the audit report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1233-0007-B000.pdf>.

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MID-IOWA SCHOOL IMPROVEMENT CONSORTIUM

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

JUNE 30, 2012

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Mid-Iowa School Improvement Consortium

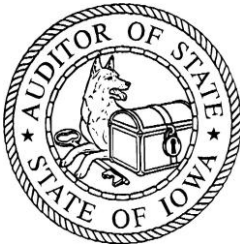
Board of Directors

<u>Name</u>	<u>Title</u>	<u>Representing</u>	<u>Term Expires</u>
Jason Ellingson	President	At-Large	June 30, 2014
Cheryl Werner	Vice-President	Region 2	June 30, 2012
Jared Cecil	Secretary	Region 3	June 30, 2012
Jeff Herzberg	Member	AEAs	June 30, 2012
Tina Whalen	Member	Region 4	June 30, 2013
Dana Lillis	Member	Region 5	June 30, 2013
Dan Mart	Member	Region 1	June 30, 2014

Officials

Sue Z. Beers	Executive Director
Ethel Lee	Business Manager

Mid-Iowa School Improvement Consortium



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Independent Auditor's Report


To the Board of Directors of
Mid-Iowa School Improvement Consortium:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Mid-Iowa School Improvement Consortium, Carlisle, Iowa, as of and for the year ended June 30, 2012. These financial statements are the responsibility of the Consortium'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mid-Iowa School Improvement Consortium at June 30, 2012, 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 May 31, 2013 on our consideration of Mid-Iowa School Improvement Consortium'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.


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 31, 2013

Mid-Iowa School Improvement Consortium

Financial Statements

Exhibit A

Mid-Iowa School Improvement Consortium

Statement of Net Assets

June 30, 2012

Assets	
Cash and cash equivalents	\$ 162,742
Investments	390,546
Accounts receivable	18,969
Accrued interest receivable	1,077
Prepaid expenses	4,393
Capital assets, net of accumulated amortization of \$55,836	<u>38,432</u>
Total assets	<u>\$ 616,159</u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable	\$ 24,335
Unearned revenue	<u>4,000</u>
Total liabilities	28,335
Net assets - unrestricted	<u>587,824</u>
Total liabilities and net assets	<u>\$ 616,159</u>

See notes to financial statements.

Mid-Iowa School Improvement Consortium

Statement of Activities

Year ended June 30, 2012

Operating revenues:	
Membership dues	\$ 276,494
Curriculum Manager software system fees	120,400
Miscellaneous	2,888
Total operating revenues	<u>399,782</u>
Operating expenses:	
Educational consultant services	308,090
Professional fees	40,575
Curriculum Manager programming and management services	66,210
Communications	15,243
Supplies and materials	5,527
Travel	55,161
Dues and fees	26,513
Rent and utilities	7,974
Training	2,457
Amortization	18,853
Total operating expenses	<u>546,603</u>
Operating loss	<u>(146,821)</u>
Non-operating revenues:	
Federal grant	48,169
Interest income	5,197
Sale of software rights	67,500
Total non-operating revenues	<u>120,866</u>
Change in net assets	(25,955)
Net assets beginning of year	<u>613,779</u>
Net assets end of year	<u><u>\$ 587,824</u></u>

See notes to financial statements.

Exhibit C

Mid-Iowa School Improvement Consortium

Statement of Cash Flows

Year ended June 30, 2012

Cash flows from operating activities:	
Cash received from members	\$ 392,874
Cash received from others	2,888
Cash paid to independent contractors, vendors and suppliers	(526,260)
Net cash used by operating activities	<u>(130,498)</u>
Cash flows from noncapital financing activities:	
Nonoperating noncapital grants	73,000
Sale of software rights	67,500
Net cash provided by noncapital financing activities	<u>140,500</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,080)</u>
Cash flows from investing activities:	
Purchase of certificates of deposit	(580,613)
Redemption of certificates of deposit	685,067
Interest received	8,050
Net cash provided by investing activities	<u>112,504</u>
Net increase in cash and cash equivalents	261,926
Cash and cash equivalents beginning of year	<u>41,316</u>
Cash and cash equivalents end of year	<u>\$ 303,242</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (146,821)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Amortization	18,853
Increase in prepaid expenses	(2,412)
Increase in accounts payable	3,902
Decrease in unearned revenue	(4,020)
Net cash used by operating activities	<u>\$ (130,498)</u>

See notes to financial statements.

Mid-Iowa School Improvement Consortium

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

A. Reporting Entity

Mid-Iowa School Improvement Consortium (Consortium) consists of one hundred forty-three community school districts concerned with implementing and designing effective assessments to ensure improved student achievement. The Consortium is administered by a Board of Directors consisting of representatives from the member school districts. On July 1, 2004, the Consortium incorporated under the Iowa Non-Profit Corporation Act, Chapter 504A of the Code of Iowa.

The Consortium is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for charitable, religious or educational purposes.

The administrative offices of the Consortium have been located at the Carlisle Community School District (District), Carlisle, Iowa since formation.

B. Fund Accounting

The Consortium accounts for all resources over which it has discretionary control to use in carrying out the operations of the organization in accordance with the limitations of its charter and bylaws.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

D. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Consortium and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

E. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash, Investments and Cash Equivalents – The Consortium considers all short-term cash 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, 2012 include certificates of deposit of \$390,546.

(2) Cash and Investments

The Consortium’s deposits at June 30, 2012 were covered by federal depository insurance at the maximum amount allowed.

The Consortium’s investment policy authorizes the Business Manager to invest funds in excess of current needs in interest bearing savings, money market and checking accounts and certificates of deposit or other evidences of deposit at federally insured Iowa depository institutions approved by the Consortium.

(3) Unearned Revenue

Unearned revenue of \$4,000 consists of membership dues and Curriculum Manager software system fees for the year ending June 30, 2013 received prior to June 30, 2012.

(4) Risk Management

The Consortium is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years. The Consortium assumes liability for any deductibles and claims in excess of coverage limitations.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Intangible assets	\$ 93,188	1,080	-	94,268
Less accumulated amortization	36,983	18,853	-	55,836
Capital assets, net	\$ 56,205	(17,773)	-	38,432

(6) Operating Lease

The Consortium entered into an operating lease agreement for a copy machine on October 10, 2008. The Consortium expects the lease will be replaced by another lease at the end of the lease. The future minimum lease payments for the lease are as follows:

Year ending June 30,	Amount
2013	\$ 1,986
2014	662
Total	2,648

Rental expense for the year ended June 30, 2012 totaled \$1,986.

(7) Related Party Transactions

On April 15, 2009, Consortium Board President Dan Mart signed a service agreement with Systems Management Innovations, LLC (SMI), owned and operated by the son of the Executive Director of the Consortium, for services related to the Consortium's Curriculum Manager software. According to the service agreement, as consideration for the services performed, SMI is to be provided a set-up fee of \$400 for each new district and a management fee of \$600 per licensed district per year. For the year ended June 30, 2012, SMI was paid \$54,120 for management fees and other programming and expense reimbursements.

Ninety school districts have signed up for Curriculum Manager. The Consortium estimates \$60,000 will be paid to SMI during the year ending June 30, 2013.

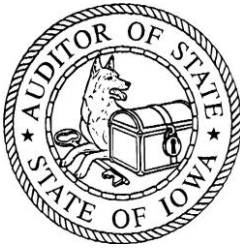
(8) Subsequent Event

On December 18, 2012, the Consortium entered into a new operating lease agreement for a copy machine. The previous operating lease agreement dated October 10, 2008 was terminated at that time. The lease term is for 60 months, with a monthly payment of \$203.

Mid-Iowa School Improvement Consortium

**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**

Mid-Iowa School Improvement Consortium



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Independent Auditor's Report on Internal Control
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Government Auditing Standards

To the Board of Directors of
Mid-Iowa School Improvement Consortium:

We have audited the accompanying financial statements of Mid-Iowa School Improvement Consortium, Carlisle, Iowa, as of and for the year ended June 30, 2012, and have issued our report thereon dated May 31, 2013. 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

The management of Mid-Iowa School Improvement Consortium is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Mid-Iowa School Improvement Consortium'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 Mid-Iowa School Improvement Consortium's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mid-Iowa School Improvement Consortium'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 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 a deficiency in internal control over financial reporting we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

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 Mid-Iowa School Improvement Consortium's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

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


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid-Iowa School Improvement Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards.

Mid-Iowa School Improvement Consortium'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 Consortium's responses, we did not audit Mid-Iowa School Improvement Consortium'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 Mid-Iowa School Improvement Consortium and other parties to whom the Consortium 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 Mid-Iowa School Improvement Consortium 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.


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 31, 2013

Mid-Iowa School Improvement Consortium

Schedule of Findings

Year ended June 30, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties - During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Consortium's financial statements. One individual has control over the following areas for which no compensating controls exist:

- 1) Investments – custody and detailed record keeping.
- 2) Disbursements – check writing, signing and posting.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Consortium should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Board members.

Response –

- 1) The Business Manager for the Carlisle School District will review and sign the reconciliation reports for the investments in the future.
- 2) Due to limited staff, this is difficult. The Business Manager for the Carlisle School District will continue to review and sign the monthly bank reconciliation that lists all checks which have been written during the month to ensure there is no unlawful activity.

Conclusion – Response acknowledged. The Consortium should also utilize Board members to provide additional control through review of financial transactions and reports.

(B) Computer Systems – The following weaknesses in the Consortium's computer systems were noted:

The Consortium does not have written policies for:

- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- usage of the internet.

Mid-Iowa School Improvement Consortium

Schedule of Findings

Year ended June 30, 2012

Recommendation – The Consortium should develop written policies addressing the above items in order to improve the Consortium’s control over its computer systems.

Response – A policy will be written and approved to require changing log-ins/passwords periodically. Also, a policy will be written and approved which explains proper usage of the internet for those receiving a monthly broadband allowance from the Consortium.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Mid-Iowa School Improvement Consortium

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Tiffany M. Ainger, CPA, Senior 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