

OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

October 23, 2013

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Muscatine Agricultural Learning Center for the year ended December 31, 2012.

Receipts totaled \$578,425 for the year ended December 31, 2012, which included \$450,383 of donations, \$102,753 of facility and stall rentals and \$13,629 of crop sales.

Disbursements for the year ended December 31, 2012 totaled \$168,242, and included \$45,836 for wages and benefits, \$43,114 for loan principal and interest payments and \$24,575 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/1214-0036-B00F.pdf>.

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MUSCATINE AGRICULTURAL LEARNING CENTER

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

YEAR ENDED DECEMBER 31, 2012

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

Muscatine Agricultural Learning Center



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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Muscatine Agricultural Learning Center as of and for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion


In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Muscatine Agricultural Learning Center as of December 31, 2012, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

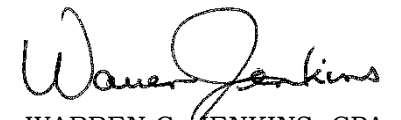
Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 2, 2013 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 in considering the Muscatine Agricultural Learning Center's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 2, 2013

Financial Statement

Exhibit A

Muscatine Agricultural Learning Center
Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

Year ended December 31, 2012

Operating receipts:	
Facility and stall rental	\$ 102,753
Crop sales	13,629
Sponsorship and entry fees	9,722
Miscellaneous	778
Total operating receipts	<u>126,882</u>
Operating disbursements:	
Accounting and legal	10,766
Advertising	2,240
Equipment rental	7,972
Insurance	5,942
Wages and benefits	45,836
Repair and maintenance	1,135
Supplies	24,575
Telephone	1,564
Utilities	19,611
Miscellaneous	1,022
Total operating disbursements	<u>120,663</u>
Excess of operating receipts over operating disbursements	<u>6,219</u>
Non-operating receipts (disbursements):	
Donations	450,383
Interest	1,160
Service fee	(4,465)
Bank loan:	
Principal	(10,394)
Interest	(32,720)
Net non-operating receipts (disbursements)	<u>403,964</u>
Change in cash balance	410,183
Cash balance beginning of year	<u>9,254</u>
Cash balance end of year	<u><u>\$ 419,437</u></u>
Cash Basis Fund Balance	
Unrestricted	<u><u>\$ 419,437</u></u>

See notes to financial statement.

Muscatine Agricultural Learning Center

Notes to Financial Statement

December 31, 2012

(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 (Center) has included all funds. The Center has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Center are such that exclusion would cause the Center's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Center to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Center. The Center has no component units which meet the Governmental Accounting Standards Board criteria.

The Agricultural Learning Center of Muscatine Charitable Fund (Charitable Fund) is a component fund of the Community Foundation of Greater Muscatine, a 501(c)(3) nonprofit organization. The Center may request distribution of the amounts held in the component fund. On December 31, 2012, the Charitable Fund balance of \$409,052 was included in the Center's cash balance.

B. Basis of Presentation

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

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The Center maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Center is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the Center in accordance with U.S. generally accepted accounting principles.

(2) Cash and Investments

The Center's deposits in banks at December 31, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The 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, with periodic interest only payments and the principal balance due on March 2011, September 2011 and March 2012. In March 2012, the loan was renewed, at 5% per annum interest, to a maturity date of June 30, 2013. During the year ended December 31, 2012, the Center paid \$10,394 of principal and \$32,720 of interest on the loans. The balance of the loan at December 31, 2012 was \$612,813.

The Center subsequently used cash on hand to make significant advance principal payments on the loan. On February 8, 2013, the Center entered into a new loan with Central State Bank for \$288,566 at an interest rate of 3% per annum. The new loan matures January 28, 2015.

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Muscatine Agricultural Learning Center as of and for the year ended December 31, 2012, and the related notes to financial statement, and have issued our report thereon dated October 2, 2013. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Muscatine Agricultural Learning Center's financial statement will not be prevented or detected and corrected on a timely basis. 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 non-compliance 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, 2012 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.


Muscatine Agricultural Learning Center's Responses to the Findings


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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Muscatine Agricultural Learning Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 2, 2013

Muscatine Agricultural Learning Center

Schedule of Findings

Year ended December 31, 2012

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

Response – As of July 2012, MALC has had one person opening mail, collecting invoices and completing a receipt book. Another person has been invoicing, depositing, accounts payable and completes reports to the Board. Also, as our Financial Procedures Handbook states:

MALC will designate an Ag teacher, independent of the primary bookkeeper, to open mail on a periodic basis. This person may be a board member, associate member, district employee or other person designated by the board. The designated person may open the mail on a regular schedule or on a surprise basis several times a month.

As of July 2012, the MALC board feels it has made significant progress toward correcting these issues. Unfortunately, many of our corrections do not show up in the audit as it covers all of 2012. We look forward to making even more progress in 2013 and having it reflect fully in the audit.

Conclusion – Response acknowledged. An independent person should compare receipts to deposits.

- (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 categorizes the activity.

For the first half of the year, the Center did not issue prenumbered receipts for collections and did not maintain rental agreements for facility and stall rentals to support these collections. In addition, an accounts receivable record documenting each customer and the amounts billed, paid and receivable was not maintained.

Muscatine Agricultural Learning Center

Schedule of Findings

Year ended December 31, 2012

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 pre-numbered 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 and accounts receivable ledgers should be maintained documenting the amounts billed, collected and receivable for each customer.

Response – As of July 2012, MALC has a treasurer, student treasurers and an agricultural teacher to ensure all books are organized in a trial balance format. Quickbooks accounting program is being used and reported to the MALC Board each month.

The first six months of 2012 these were issues. We realized this and made changes. Those included maintaining a pre-numbered receipt book, keeping records of accounts receivable, keeping records of billings sent, maintained records of contracts in effect, and maintained a written fee schedule. Also, we did reconcile collections to accounts receivable. In addition, we have a receipt for all collections and have been comparing against the deposits made.

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 – As of July 2012, a record of billings and collections has been kept and reconciled. The Board will take action to write off uncollectible accounts as needed.

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 – Since July of 2012 we have deposited all receipts at least weekly, many times bi-weekly.

Conclusion – Response accepted.

Muscatine Agricultural Learning Center

Schedule of Findings

Year ended December 31, 2012

(E) Disaster Recovery Plan – The Center does not have a disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed.

Response – We are in the process of adopting one. We are researching and will have one adopted for 2013.

Conclusion – Response accepted.

(F) Disbursements – One of twenty disbursements tested was not paid timely to take advantage of the available discount and six of twenty disbursements tested did not include evidence of approval.

Recommendation – The Center should establish procedures to ensure all disbursements are made timely to benefit from discounts and to ensure disbursements are approved.

Response – As of July 2012, we have been able to take advantage of many discounts by processing bills in a timely manner. The minutes for 2013 will reflect a list with detail which will be approved by the Board as part of the treasurer's report.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Muscatine Agricultural Learning Center

Schedule of Findings

Year ended December 31, 2012

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 document 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. In addition, the minutes were not signed.

Recommendation - The Center should include a list of the bills allowed in 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 and approved disbursements will be 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, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa 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 depository resolution.

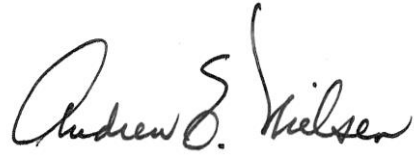
Conclusion - Response accepted.

Muscatine Agricultural Learning Center

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Kelsey J. Kranz, Assistant Auditor
Benjamin P. James, 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