



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE

May 20, 2015

Auditor of State Mary Mosiman today released an audit report on the Mid-Iowa School Improvement Consortium, Carlisle, Iowa for the year ended June 30, 2014.

The 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-nine 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 \$418,108 for the year ended June 30, 2014, an 8.1% decrease from the prior year. The revenues included \$250,380 from membership dues, a 10.9% decrease from the prior year, and \$108,349 from Curriculum Manager software system fees, a 5% decrease from the prior year. The decrease in revenues is primarily due to decreased membership dues resulting from fewer large school memberships.

Expenses totaled \$492,339 for the year ended June 30, 2014, a less than 1% decrease from the prior year, and included \$274,730 for educational consultant services, \$77,868 for travel and \$67,503 for Curriculum Manager programming and management 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/1433-0007-B000.pdf>.

#

MID-IOWA SCHOOL IMPROVEMENT CONSORTIUM

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

JUNE 30, 2014

Table of Contents

| | <u>Page</u> |
|---|----------------|
| Board of Directors | 3 |
| Independent Auditor's Report | 5-6 |
| Basic Financial Statements: | <u>Exhibit</u> |
| Statement of Net Assets | A 8 |
| Statement of Activities | B 9 |
| Statement of Cash Flows | C 10 |
| Notes to Financial Statements | 11-13 |
| 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> | 15-16 |
| Schedule of Findings | 17 |
| Staff | 18 |

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 |
| Dan Mart | Vice-President | Region 1 | June 30, 2014 |
| Karen Sandberg | Secretary | Region 3 | June 30, 2015 |
| Paul Gebel | Member | Region 2 | June 30, 2015 |
| Jeff Herzberg | Member | AEAs | June 30, 2015 |
| Pam Vogel | Member | Region 5 | June 30, 2015 |
| Paul Beatty | Member | Region 4 | June 30, 2016 |

Officials

| | |
|--------------|--------------------|
| Sue Z. Beers | Executive Director |
| Ethel Lee | Business Manager |

Mid-Iowa School Improvement Consortium



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, 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 of Directors of the
Mid-Iowa School Improvement Consortium:

Report on the Financial Statements

We have audited the accompanying financial statements of the Mid-Iowa School Improvement Consortium as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the Mid-Iowa School Improvement Consortium's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

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

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 statements referred to above present fairly, in all material respects, the financial position of the Mid-Iowa School Improvement Consortium as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 5, 2015 on our consideration of the 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 in considering the Mid-Iowa School Improvement Consortium's internal control over financial reporting and compliance.



MARY MOSIMAN, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 5, 2015

Basic Financial Statements

Exhibit A

Mid-Iowa School Improvement Consortium

Statement of Net Assets

June 30, 2014

| Assets | |
|---|--------------------------|
| Cash and cash equivalents | \$ 130,865 |
| Investments | 347,531 |
| Accrued interest receivable | 284 |
| Prepaid expenses | 2,421 |
| Capital assets, net of accumulated amortization of \$93,542 | 726 |
| Total assets | <u><u>\$ 481,827</u></u> |
| Liabilities and Net Assets | |
| Liabilities: | |
| Accounts payable | \$ 2,846 |
| Unearned revenue | 2,843 |
| Total liabilities | <u>5,689</u> |
| Net assets - unrestricted | <u>476,138</u> |
| Total liabilities and net assets | <u><u>\$ 481,827</u></u> |

See notes to financial statements.

Mid-Iowa School Improvement Consortium

Statement of Activities

Year ended June 30, 2014

| | |
|--|-------------------|
| Operating revenues: | |
| Membership dues | \$ 250,380 |
| Curriculum Manager software system fees | 108,349 |
| Workshop fees | 35,644 |
| Miscellaneous | 4,247 |
| Total operating revenues | <u>398,620</u> |
| Operating expenses: | |
| Educational consultant services | 274,730 |
| Professional fees | 7,505 |
| Curriculum Manager programming and management services | 67,503 |
| Communications | 18,485 |
| Supplies and materials | 11,718 |
| Travel | 77,868 |
| Dues and fees | 6,857 |
| Rent and utilities | 8,088 |
| Training | 732 |
| Amortization | 18,853 |
| Total operating expenses | <u>492,339</u> |
| Operating loss | <u>(93,719)</u> |
| Non-operating revenues: | |
| Interest income | 1,488 |
| Iowa Department of Education grant | 18,000 |
| Total non-operating revenues | <u>19,488</u> |
| Change in net assets | (74,231) |
| Net assets beginning of year | <u>550,369</u> |
| Net assets end of year | <u>\$ 476,138</u> |

See notes to financial statements.

Exhibit C

Mid-Iowa School Improvement Consortium

Statement of Cash Flows

Year ended June 30, 2014

| | |
|---|--------------------|
| Cash flows from operating activities: | |
| Cash received from members | \$ 392,524 |
| Cash received from others | 4,322 |
| Cash paid to independent contractors, vendors and suppliers | (482,068) |
| Net cash used by operating activities | <u>(85,222)</u> |
| Cash flows from noncapital financing activities: | |
| Nonoperating noncapital grants | 18,000 |
| Net cash provided by noncapital financing activities | <u>18,000</u> |
| Cash flows from investing activities: | |
| Purchase of certificates of deposit | (492,640) |
| Redemption of certificates of deposit | 536,785 |
| Interest received | 1,777 |
| Net cash provided by investing activities | <u>45,922</u> |
| Net decrease in cash and cash equivalents | (21,300) |
| Cash and cash equivalents beginning of year | 152,165 |
| Cash and cash equivalents end of year | <u>\$ 130,865</u> |
| Reconciliation of operating loss to net cash used by operating activities: | |
| Operating loss | \$ (93,719) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Amortization | 18,853 |
| Decrease in accounts receivable | 75 |
| Increase in prepaid expenses | (238) |
| Decrease in accounts payable | (8,344) |
| Decrease in unearned revenue | (1,849) |
| Net cash used by operating activities | <u>\$ (85,222)</u> |

See notes to financial statements.

Mid-Iowa School Improvement Consortium

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Mid-Iowa School Improvement Consortium (Consortium) consists of one hundred forty-nine 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, 2014 include certificates of deposit of \$347,531.

(2) Cash and Investments

The Consortium’s deposits at June 30, 2014 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 \$2,843 consists of membership dues and Curriculum Manager software system fees for the year ending June 30, 2015 received prior to June 30, 2014.

(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 three 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, 2014 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|-------------------------------|---------------------------------|-----------|-----------|---------------------------|
| Intangible assets | \$ 94,268 | - | - | 94,268 |
| Less accumulated amortization | (74,689) | (18,853) | - | (93,542) |
| Capital assets, net | \$ 168,957 | (18,853) | - | 187,810 |

(6) Operating Lease

The Consortium entered into an operating lease for a copy machine on December 18, 2012. 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 |
|-------------------------|----------|
| 2015 | \$ 2,438 |
| 2016 | 2,438 |
| 2017 | 2,438 |
| 2018 | 1,218 |
| Total | \$ 8,532 |

Rental expense for the year ended June 30, 2014 totaled \$2,438.

(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, 2014, SMI was paid \$53,820 for management fees and other programming and expense reimbursements.

Eighty-six school districts have signed up for Curriculum Manager. The Consortium estimates \$53,000 will be paid to SMI during the year ending June 30, 2015.

**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**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA
Auditor of State

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 of Directors of the
Mid-Iowa School Improvement Consortium:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Mid-Iowa School Improvement Consortium as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, and have issued our report thereon dated May 5, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mid-Iowa School Improvement Consortium'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 statements, but not for the purpose of expressing an opinion on the effectiveness of the Mid-Iowa School Improvement Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mid-Iowa School Improvement Consortium'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 a deficiency in internal control we consider to be a material weakness.

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 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 the Mid-Iowa School Improvement Consortium's internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 which are required to be reported under Government Auditing Standards.

The Mid-Iowa School Improvement Consortium's Response to the Finding

The Mid-Iowa School Improvement Consortium's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Mid-Iowa School Improvement Consortium's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Consortium'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 Consortium'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 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.



MARY MOSIMAN, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 5, 2015

Mid-Iowa School Improvement Consortium

Schedule of Findings

Year ended June 30, 2014

Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

- (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 check writing, signing and posting for which no compensating controls exist.

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 – With limited staff this is difficult. The Business Manager will continue to scan all the bills and send to the designated Board members for their review. They will continue to sign the bills payable lists to document their approval for payment. The Business Manager for the Carlisle School District will continue to review and sign the monthly bank reconciliation which lists all checks written during the month to ensure there is no unlawful activity.

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
Joshua W. Ostrander, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State