



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

Mary Mosiman, CPA
Auditor of State

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Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

November 30, 2017

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an audit report on the Muscatine Agricultural Learning Center for the year ended June 30, 2017.

Receipts totaled \$120,876 for the year ended June 30, 2017, which included \$92,664 of facility and stall rentals, \$19,890 of livestock and crop sales and \$4,678 of sponsorship and entry fees.

Disbursements for the year ended June 30, 2017 totaled \$54,459 and included \$18,231 for utilities, \$9,555 for accounting and legal fees, and \$8,121 for contract labor.

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 <https://auditor.iowa.gov/reports/1714-0036-B00F>.

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MUSCATINE AGRICULTURAL LEARNING CENTER

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

YEAR ENDED JUNE 30, 2017

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Muscatine Agricultural Learning Center

Officials at June 30, 2017

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Rob Schmidt	President	Friends of the Muscatine Future Farmers of America
Tim Schneider	Vice President	Agricultural Business
Dena Bates	Secretary	Friends of the Muscatine Future Farmers of America
Tim Bower	Treasurer	Muscatine Community School District
Randy Dew	Member	Muscatine County Resident
Dr. Naomi DeWinter	Member	Eastern Iowa Community College
Jaylin Havel	Member	Eastern Iowa Community College
Carol Reynolds	Member	Agricultural Business
Jerry Riibe	Member	Muscatine Community School District

Muscatine Agricultural Learning Center



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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 June 30, 2017 and the related Notes to 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 June 30, 2017 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 November 16, 2017 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 solely 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 effectiveness of the Center's 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

November 16, 2017

Financial Statement

Muscatine Agricultural Learning Center

Muscatine Agricultural Learning Center

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

Year ended June 30, 2017

Operating receipts:	
Facility and stall rental	\$ 92,664
Crop sales	19,890
Sponsorship and entry fees	<u>4,678</u>
Total operating receipts	<u>117,232</u>
Operating disbursements:	
Accounting and legal	9,555
Advertising	463
Insurance	6,059
Contract labor	8,121
Repair and maintenance	4,555
Supplies	6,134
Telephone	939
Utilities	18,231
Miscellaneous	<u>302</u>
Total operating disbursements	<u>54,359</u>
Excess of operating receipts over operating disbursements	<u>62,873</u>
Non-operating receipts (disbursements):	
Donations	880
Interest on investments	64
Insurance reimbursement	2,700
Service fee	<u>(100)</u>
Net non-operating receipts	<u>3,544</u>
Change in cash balance	66,417
Cash balance beginning of period	<u>106,380</u>
Cash balance end of period	<u>\$ 172,797</u>
Cash Basis Fund Balance	
Unrestricted	<u>\$ 172,797</u>

See notes to financial statements.

Muscatine Agricultural Learning Center

Notes to Financial Statement

June 30, 2017

(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 agricultural business 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 June 30, 2017, the Charitable Fund balance of \$1,910 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 June 30, 2017 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 ensure 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. 72.

(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.

**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
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 Government 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 June 30, 2017, and the related Notes to Financial Statement, and have issued our report thereon dated November 16, 2017. 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.

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. 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.

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. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

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 June 30, 2017 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

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

November 16, 2017

Muscatine Agricultural Learning Center

Schedule of Findings

Year ended June 30, 2017

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same individual. This segregation of duties helps prevent losses from individual error or dishonesty and maximizes the accuracy of the Center’s financial statements.

Condition – One or two individuals have primary control over opening mail, collecting receipts, preparing deposits, billing and tracking customer accounts.

Cause – The Center has a limited number of staff and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Center’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by staff in the normal course of performing their assigned functions.

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 – The Center will implement a board member reviewing transactions, initialing and dating to create more independent review.

Conclusion – Response accepted.

(B) Reconciliation of Billings, Collections and Accounts Receivable

Criteria – An effective internal control system provides for internal controls related to reconciling collections to customer billings and accounts receivable to ensure the accuracy of accounts receivable.

Condition – The Center did not have procedures in place to ensure accounts receivable reconciliations were prepared.

Cause – Policies have not been established and procedures have not been implemented to reconcile accounts receivable to ensure the accuracy of customer billings, collections and receivables.

Muscatine Agricultural Learning Center

Schedule of Findings

Year ended June 30, 2017

Effect – Since accounts receivable reconciliations were not performed, misstatements of customer billings, collections and/or receivables may not have been prevented or detected and corrected on a timely basis in the normal course of operations.

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

Response – The accounts receivable is done via QuickBooks and as needed any delinquent accounts are brought to the Board for review.

Conclusion – Response acknowledged. A reconciliation of customer billings, collections and accounts receivable should be prepared and reviewed by the Board monthly.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Muscatine Agricultural Learning Center

Schedule of Findings

Year ended June 30, 2017

Other Findings Related to Required Statutory Reporting:

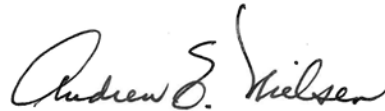
- (1) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Center money for travel expenses of spouses of Center officials or employees were noted.
- (3) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Center's investment policy were noted.

Muscatine Agricultural Learning Center

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager
Jesse J. Harthan, Senior Auditor
Justin D. Jones, 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