



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE June 23, 2004

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Mid-Iowa School Improvement Consortium, Carlisle, Iowa for the year ended June 30, 2004.

Mid-Iowa School Improvement Consortium is a consortium of sixty-two community school districts concerned with implementing and designing effective assessments to ensure improved student achievement. Carlisle Community School District provides financial services to Mid-Iowa School Improvement Consortium.

Vaudt reported Mid-Iowa School Improvement Consortium had operating revenues of \$331,834 and non-operating revenues of \$2,457 for the year ended June 30, 2004. Operating expenses for the year ended June 30, 2004 totaled \$143,901.

A copy of the audit report is available for review in the Office of Auditor of State.

###

MID-IOWA SCHOOL IMPROVEMENT CONSORTIUM

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

JUNE 30, 2004

Table of Contents

Officials		Page 3
Independent Auditor's Report		5-6
Basic Financial Statements:	<u>Exhibit</u>	
Statement of Net Assets	A	9
Statement of Revenues, Expenses and Changes in Fund Net Assets	B	10
Statement of Cash Flows	C	11
Notes to Financial Statements		12-14
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		17-18
Schedule of Findings		19-23
Staff		24

Mid Iowa School Improvement Consortium

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>	<u>Term Expires</u>
Sheila King	Chairman	Region 1	June 30, 2006
Susan M. Ruch	Member	Region 1	June 30, 2005
Dennis Modlin	Member	Region 2	June 30, 2005
Dale Greimann	Member	Region 2	June 30, 2006
Wayne Fleishman	Member	At-Large	June 30, 2006
Sue Z. Beers	Director		June 30, 2006
Ethel Lee	Business Director, Carlisle Community School District		Indefinite

Mid-Iowa School Improvement Consortium



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, 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 Mid-Iowa School
Improvement Consortium:

We have audited the accompanying basic financial statements of Mid-Iowa School Improvement Consortium, Carlisle, Iowa, as of and for the year ended June 30, 2004, as listed in the table of contents. 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.

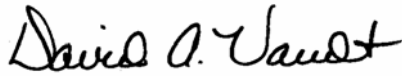
We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require 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, 2004, 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.

As discussed in Note 6, during the year ended June 30, 2004, the Consortium adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2005 on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Mid-Iowa School Improvement Consortium has not presented Management's Discussion and Analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on information the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 28, 2005

Basic Financial Statements

Mid-Iowa School Improvement Consortium

Mid-Iowa School Improvement Consortium

Statement of Net Assets

June 30, 2004

Assets

Cash and investments	\$ 252,315
Due from other governments	<u>124,434</u>
Total assets	<u>376,749</u>

Liabilities

Accounts payable	4,987
Deferred revenue	<u>5,172</u>
Total liabilities	<u>10,159</u>

Net assets

Unrestricted	<u><u>\$ 366,590</u></u>
--------------	--------------------------

See notes to financial statements.

Exhibit B

Mid-Iowa School Improvement Consortium

Statement of Revenues, Expenses and
Changes in Fund Net Assets

Year ended June 30, 2004

Operating revenues:	
Membership dues	<u>\$ 331,834</u>
Operating expenses:	
Salary and benefits	49,500
Educational consultant services	16,915
Supplies and materials	18,941
Travel	21,306
Dues and fees	36,339
Miscellaneous	900
Total operating expenses	<u>143,901</u>
Operating income	187,933
Non-operating revenues:	
Interest income	<u>2,457</u>
Net income	190,390
Net assets beginning of year	<u>176,200</u>
Net assets end of year	<u><u>\$ 366,590</u></u>

See notes to financial statements.

Mid-Iowa School Improvement Consortium

Statement of Cash Flows

Year ended June 30, 2004

Cash flows from operating activities:	
Cash received from members	\$ 223,304
Cash received from Carlisle Community School District	104,303
Cash paid to employees	(49,500)
Cash paid to vendors and suppliers	(91,806)
Net cash provided by operating activities	<u>186,301</u>
Cash flows from investing activities:	
Interest on investments	<u>2,457</u>
Net increase in cash and cash equivalents	188,758
Beginning cash and cash equivalents	<u>63,557</u>
Ending cash and cash equivalents	<u><u>\$ 252,315</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 187,933</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in due from other governments	(11,791)
Increase in accounts payable	4,987
Increase in deferred revenue	5,172
Total adjustments	<u>(1,632)</u>
Net cash provided by operating activities	<u><u>\$ 186,301</u></u>

See notes to financial statements.

Mid-Iowa School Improvement Consortium

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Mid-Iowa School Improvement Consortium is a consortium of sixty-two community school districts. From its inception, it has been concerned with implementing and designing effective assessments to ensure improved student achievement. Mid-Iowa School Improvement Consortium is administered by a Board of Directors consisting of representatives from the member school districts.

The administrative operations of Mid-Iowa School Improvement Consortium have been located at Carlisle Community School District, Carlisle, Iowa since formation.

A. Reporting Entity

For financial reporting purposes, Mid-Iowa School Improvement Consortium has included all funds, organizations, agencies, boards, commissions and authorities. The Consortium 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 Consortium are such that exclusion would cause the Consortium's financial statements 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 Consortium 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 Consortium. The Consortium has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Consortium are organized as an Enterprise Fund. Enterprise Funds are used to report activities for which a fee is charged to external users for goods or services.

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

C. Measurement Focus

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Consortium applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. 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.

Due from Other Governments – This represents membership dues due from member school districts.

(2) Cash and Investments

The Consortium's deposits at June 30, 2004 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 depositories to insure there will be no loss of public funds.

The Consortium 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 Consortium; 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 Consortium had no investments meeting the disclosure requirements of Governmental Accounting Standards Boards Statement No. 3.

(3) Deferred Revenue

Deferred revenue of \$5,172 consists of membership dues for the year ending June 30, 2005 received prior to June 30, 2004.

(4) Pension and Retirement Systems

The Consortium contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Consortium is required to contribute 5.75% of annual covered payroll for the year ended June 30, 2004. Contribution requirements are established by State statute. The Consortium's contributions to IPERS for the year ended June 30, 2004 was \$2,300, equal to the required contributions for the year.

(5) 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. The Consortium assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(6) Accounting Change

For the year ended June 30, 2004, the Consortium implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these standards had no effect on the beginning net assets of the Consortium.

(7) Subsequent Event

On July 1, 2004, Mid-Iowa School Improvement Consortium incorporated under the Iowa Non Profit Corporation Act, Chapter 504A of the Code of Iowa.

**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

Mid-Iowa School Improvement Consortium



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

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

We have audited the financial statements of Mid-Iowa School Improvement Consortium, Carlisle, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 28, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Consortium's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Consortium. 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.

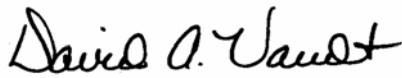
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mid-Iowa School Improvement Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Consortium's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

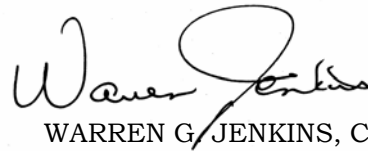
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe reportable condition (A) described above is a material weakness.

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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 28, 2005

Mid-Iowa School Improvement Consortium

Schedule of Findings

Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – During our review of internal control, the existing 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. Generally, one or two individuals may have control over the following areas for which no compensating controls exist.
- (1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.
 - (2) Responsibilities for receipt collection, deposit preparation and reconciliation functions are not segregated from those of recording and accounting for disbursements.
 - (3) Bank accounts are not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations are not reviewed monthly by an independent person for propriety.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Consortium should review the operating procedures to obtain the maximum internal control possible under the circumstances. The Consortium should utilize current personnel and the Board of Directors to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Mid-Iowa School Improvement Consortium

Schedule of Findings

Year ended June 30, 2004

Response:

- (1) We started using an outside person to open all Consortium mail. She is copying checks received, making a list and comparing to the bank statement. She has no access to the accounting system.
- (2) This outside person will initial all receipts on bank statement and compare to her list from incoming mail.
- (3) Will have a Board Member review all bank statements and review expenses. They will then sign and date each month.

Conclusion: Response accepted.

- (B) Disbursements – Certain expenses were not approved by appropriate personnel prior to disbursement of funds.

Recommendation – Expenses should be approved by the appropriate personnel prior to disbursement.

Response – We have started having the appropriate personnel sign and fax back the disbursement summary sheet.

Conclusion – Response accepted.

- (C) Accounting Policies and Procedures Manual – The Consortium does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Response – We have discussed this matter and will be developing these.

Conclusion – Response accepted.

Mid-Iowa School Improvement Consortium

Schedule of Findings

Year ended June 30, 2004

- (D) Membership Dues Collections – Billing invoices are sent to each member community school district for annual fees and joining fees. These fees are to be calculated based on the “Total Served Enrollment” from the Certified Enrollment maintained by the Iowa Department of Education. Based on testing, the Consortium did not complete the billing for each community school district and left the amount to be paid up to the community school district.

Once the collection was received, the amount was not compared to the Certified Enrollment to ensure the correct amount of dues were remitted.

Recommendation – The Consortium should establish procedures to prepare a billing based on the proper enrollment figures for each community school district. This billing should then be compared to the balance remitted by each community school district to ensure the correct amount was received.

Response – Procedures for the billing invoices will be developed using the “Total Served Enrollment” from the Iowa Department of Education’s Certified Enrollment. Amounts received will be checked against these billing invoices.

Conclusion – Response accepted.

- (E) Agreements – Mid-Iowa School Improvement Consortium uses various individuals to provide on-site workshop training to community school districts to administer Measures of Academic Progress (MAP) testing. However, approved written agreements with these individuals are not prepared. The agreements should specify the fee to be paid, along with any reimbursable costs.

Recommendation – Approved written agreements should be prepared for individuals providing training, including all fees or reimbursable costs to be paid by the Consortium.

Response – We will prepare written agreements for individuals providing training.

Conclusion – Response accepted.

Mid-Iowa School Improvement Consortium

Schedule of Findings

Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been approved by the Carlisle Community School District, including the deposits held by the District for the Consortium. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Questionable Expenditures – Certain expenses were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenses are detailed as follows:

<u>Paid For</u>	<u>Purpose</u>	<u>Amount</u>
Baby Swing	Baby gift for consultant	\$64
Alcoholic Beverages	Included with travel expenses	14

According to the opinion, it is possible for certain expenses to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board should determine and document the public purpose served by these expenses before authorizing any further payments. If this practice is continued, the Consortium should establish written policies and procedures, including requirements for proper documentation.

Response – The public purpose of disbursements will be addressed.

Conclusion – Response accepted.

- (3) Travel Expense – No expenses of Consortium money for travel expenses of spouses of Consortium officials or employees were noted.
- (4) Business Transactions – No business transactions between the Consortium and Consortium officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of Consortium officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Proper public notice of Board meetings was not given as required by Chapter 21.4 of the Code of Iowa.

Mid-Iowa School Improvement Consortium

Schedule of Findings

Year ended June 30, 2004

Recommendation – The Consortium should comply with Chapter 21 of the Code of Iowa.

Response – Agendas for meetings will be posted on the Consortium’s web site: www.misic.iowapages.org.

Conclusion – Response accepted.

- (7) 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 Consortium's investment policy were noted.
- (8) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Consortium to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Consortium retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The Consortium should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We will contact the bank and request copies of the back side of all cancelled checks along with the front side.

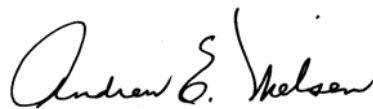
Conclusion – Response accepted.

Mid-Iowa School Improvement Consortium

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Timothy D. Houlette, 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 a distinct "E".

Andrew E. Nielsen, CPA
Deputy Auditor of State