



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

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NEWS RELEASE

Contact: Andy Nielsen

FOR RELEASE

May 4, 2007

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, 2006.

Mid-Iowa School Improvement Consortium is a consortium of eighty-seven 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 total revenues of \$274,992 for the year ended June 30, 2006, a 9% increase over 2005. The revenues included \$214,301 from membership dues and \$40,308 from contract reimbursement. Operating expenses totaled \$224,917, an 18% decrease from the prior year, and included \$73,442 for salaries and benefits, \$70,037 for educational consultant services and \$36,341 for dues and fees. The decrease was due to the Consortium incurring a one time evaluation license fee during the prior year for all the schools within the Consortium at the time. Additional fees are only owed when a new school joins.

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/reports.htm>.

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MID-IOWA SCHOOL IMPROVEMENT CONSORTIUM

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

JUNE 30, 2006

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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
Lance Ridgely	Member	Region 1	June 30, 2008
Dale Greimann	Member	Region 2	June 30, 2006
Lisa Koester	Member	Region 2	June 30, 2008
Rod Montang	Member	Region 3	June 30, 2007
Laura Horan	Member	Region 3	June 30, 2007
Wayne Fleishman	Member	At-Large	Indefinite
Sue Z. Beers	Executive Director		June 30, 2007
Ethel Lee	Business Manager		June 30, 2007

Mid-Iowa School Improvement Consortium



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Independent Auditor's Report

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

We have audited the accompanying financial statements of Mid-Iowa School Improvement Consortium, Carlisle, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the Consortium's basic financial statements 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements 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, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2007 on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 financial statements.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 28, 2007

Mid-Iowa School Improvement Consortium

Basic Financial Statements

Exhibit A

Mid-Iowa School Improvement Consortium

Statement of Net Assets

June 30, 2006

Assets

Cash	\$ 161,347
Investments	253,075
Due from other governments	9,270
Prepaid expenses	2,000
	<hr/>
Total assets	425,692

Liabilities

Accounts payable	29,713
Deferred revenue	1,476
	<hr/>
Total liabilities	31,189

Net assets

Unrestricted	<u><u>\$ 394,503</u></u>
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See notes to financial statements.

Mid-Iowa School Improvement Consortium

Statement of Revenues, Expenses and
Changes in Fund Net Assets

Year ended June 30, 2006

Operating revenues:	
Membership dues	\$ 214,301
Area Education Agency 267 contract reimbursement	40,308
Other operating revenue	8,236
Total operating revenue	<u>262,845</u>
Operating expenses:	
Salaries and benefits	73,442
Educational consultant services	70,037
Professional fees	7,945
Communications	2,067
Supplies and materials	5,649
Travel	29,436
Dues and fees	36,341
Total operating expenses	<u>224,917</u>
Operating income	37,928
Non-operating revenues:	
Interest income	<u>12,147</u>
Net income	50,075
Net assets beginning of year	<u>344,428</u>
Net assets end of year	<u>\$ 394,503</u>

See notes to financial statements.

Exhibit C

Mid-Iowa School Improvement Consortium

Statement of Cash Flows

Year ended June 30, 2006

Cash flows from operating activities:	
Cash received from members	\$ 279,246
Cash received from Area Education Agency 267 contract	40,308
Cash received from other operating receipts	8,236
Cash paid to employees	(73,442)
Cash paid to vendors and suppliers	(134,767)
Net cash provided by operating activities	<u>119,581</u>
Cash flows from investing activities:	
Purchase of certificates of deposit	(250,000)
Interest on investments	9,072
Net cash used by investing activities	<u>(240,928)</u>
Net decrease in cash and cash equivalents	(121,347)
Cash and cash equivalents beginning of year	<u>282,694</u>
Cash and cash equivalents end of year	<u>\$ 161,347</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 37,928</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in due from other governments	66,298
(Increase) in prepaid expenses	(2,000)
Increase in accounts payable	18,708
(Decrease) in deferred revenue	(1,353)
Total adjustments	<u>81,653</u>
Net cash provided by operating activities	<u>\$ 119,581</u>

See notes to financial statements.

Mid-Iowa School Improvement Consortium

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Mid-Iowa School Improvement Consortium is a consortium of eighty-seven community school districts 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. On July 1, 2004, the Consortium incorporated under the Iowa Non-Profit Corporation Act, Chapter 504A of the Code of Iowa.

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. Cash investments not meeting the definition of cash equivalents at June 30, 2006 include certificates of deposit of \$253,075.

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

(2) Cash and Investments

The Consortium's deposits at June 30, 2006 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 Board Statement No. 3, as amended by Statement No. 40.

(3) Deferred Revenue

Deferred revenue of \$1,476 consists of membership dues for the year ending June 30, 2007 received prior to June 30, 2006.

(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 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 years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The Consortium's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$3,349, \$3,358 and \$2,300, respectively, equal to the required contributions for each 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. 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.

Mid-Iowa School Improvement Consortium

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

Mid-Iowa School Improvement Consortium



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Independent Auditor's Report on Internal Control
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Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

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

We have audited the accompanying financial statements of Mid-Iowa School Improvement Consortium, Carlisle, Iowa, as of and for the year ended June 30, 2006, and have issued our report thereon dated March 28, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 an opinion 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 Mid-Iowa School Improvement 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 reportable 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 caused by error or fraud 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, of the reportable conditions described above, we believe item (A) is a material weakness.

Compliance and Other Matters

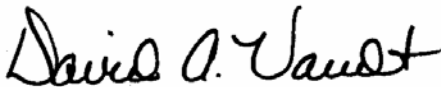
As part of obtaining reasonable assurance about whether Mid-Iowa School Improvement Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not

an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2006 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.

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

March 28, 2007

Mid-Iowa School Improvement Consortium

Schedule of Findings

Year ended June 30, 2006

Findings Related to the Financial Statements:

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) Responsibilities for receipt collection, deposit preparation and reconciliation functions are not segregated from those of recording and accounting for disbursements.
 - (2) Bank accounts are not reconciled by an individual who does not sign checks, handle or record cash.
 - (3) Responsibilities for maintaining detail accounts receivable records are not segregated from collections and records posting.

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.

Response –

- (1) We do have an outside person, the Business Manager for the Carlisle School District, open all Mid-Iowa School Improvement Consortium (MISIC) mail. She takes a copy of all checks, then gives to the MISIC Business Manager who makes out the deposit slip and takes it to the bank. When the bank statement is received, the Business Manager from the school compares her copies of the checks with the revenue credited to the MISIC bank account.
- (2) With one employee and MISIC membership from all over the state, it is very difficult to segregate these duties. We do have a Board member that signs checks who does not record any revenue. Also, we deal only with checks. There are no cash transactions. And, we have the Business Manager from the school plus the local Board member review, sign and date the monthly bank statements that are reconciled by the MISIC Business Manager.

Mid-Iowa School Improvement Consortium

Schedule of Findings

Year ended June 30, 2006

- (3) Again, with one person in the office, this would be hard to segregate. However, outstanding accounts are shared with the entire board at their meetings a couple times a year.

Conclusion – Response accepted.

- (B) Disbursement Documentation – Three credit card payments totaling \$347 were paid without detailed supporting documentation to support the charges. The Consortium’s adopted credit card policy states “employees and officers using a MISIC credit card must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose, and nature of the expense for each claim item.”

Reimbursements totaling \$197 were made to the Executive Director for mileage. However, the number of miles traveled was not documented.

Reimbursements totaling \$506 made to other claimants did not include detailed receipts or support to document the claim and the appropriateness of the expenses. Although supporting documentation was not included, the expenses noted appear to be valid Consortium expenses.

One claim was noted where the per diem rate for meals was exceeded on two days and not deducted from the claim.

Also, one instance was noted where mileage was reimbursed at a rate higher than the approved mileage rate for the Consortium.

Recommendation – All expenses should be supported with appropriate detailed supporting documentation prior to disbursement. Also, all claims should be reviewed to ensure policies are being followed and approved rates are used.

Response – This will be watched closer in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Mid-Iowa School Improvement Consortium

Schedule of Findings

Year ended June 30, 2006

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Expenses – Certain expenses we believe 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 were noted. These expenses are detailed as follows:

<u>Paid For</u>	<u>Purpose</u>	<u>Amount</u>
Flowers	Memorial for Executive Director’s mother	\$ 85
Cash	Memorial for AEA Trainer’s husband	<u>50</u>
Total		<u>\$ 135</u>

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 – These expenses were made to maintain relationships and to promote goodwill for people directly involved with the Consortium.

Conclusion – Response acknowledged. The Consortium should establish written policies and procedures, including requirements for proper documentation of public purpose.

- (2) Travel Expense – No expenses of Consortium money for travel expenses of spouses of Consortium officials or employees were noted.

- (3) Business Transactions – Business transactions between the Consortium and Consortium officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kevin King, husband of Board Chairman Sheila King	Development of database	\$ 8,000
Callie Beers, daughter of Executive Director Sue Beers	Secretarial work	100

The transactions do not represent conflicts of interest. The Consortium adopted a conflict of interest policy on September 19, 2005, including specific procedures for addressing conflict of interest. The Chairman of the Board abstained from voting on the agreement for Kevin King.

Mid-Iowa School Improvement Consortium

Schedule of Findings

Year ended June 30, 2006

- (4) Bond Coverage – There was no surety bond coverage of Consortium officials and employees from July 1, 2005 to December 8, 2005. After December 8, 2005, surety bond coverage of Consortium officials and employees is in accordance with statutory provisions.

Recommendation – The Consortium should ensure surety bond coverage is in place and the amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

Response – Bond coverage was obtained as soon as the MISIC Business Manager realized that this was not done and the coverage has been maintained ever since.

Conclusion – Response accepted.

- (5) 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.

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

Response – We will try to make sure this is done properly in the future.

Conclusion – Response accepted.

- (6) Deposits and Investments – The Consortium does not have a written investment policy required by Chapter 12B.10B of the Code of Iowa.

Recommendation – A written investment policy should be developed that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – A written policy will be taken to the Board for adoption.

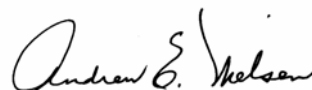
Conclusion – Response accepted.

Mid-Iowa School Improvement Consortium

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Michelle L. Harris, Staff 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