

Great River Area Education Agency #16

**Independent Auditor's Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings and Questioned Costs**

June 30, 2004

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Great River Area Education Agency #16

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Directors:		
Thomas J. Zimmerman	President	10/2006
John R. Rode	Vice-President	10/2005
Sandra Waggoner	Member	10/2004
Susan E. Kline	Member	10/2005
John H. Sander	Member	10/2006
Agency:		
Joe Crozier	Administrator	Indefinite
Maryann Werner	Board Secretary	10/2004
Greg Manske	Business Manager	Indefinite
Greg Manske	Treasurer	10/2004

Area Served

Des Moines County
Burlington
Danville
Mediapolis
West Burlington
Burlington Area Catholic

Henry County
Mt. Pleasant
New London
Waco
Winfield

Lee County
Central Lee
Fort Madison
Keokuk
Fort Madison Catholic
Marquette
Keokuk Catholic

Louisa County
Morning Sun
Wapello

James Walker, CPA
James Egerton, CPA
Kimberly Hunsaker, CPA
Melodee Walker, CPA
Stephanie Hoschek, CPA
William Hesse, LPA



214 North Fourth Street
PO Box 547
Burlington IA 52601

319 752 6348
800 757 6348
319 752 8644 fax
Info@walkeregerton.com

Independent Auditor's Report

To the Board of Directors of the
Great River Area Education Agency #16
Burlington, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Great River Area Education Agency #16, as of and for the year ended June 30, 2004, which collectively comprise the Area Education Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency officials. Our responsibility is to express opinions 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Great River Area Education Agency #16 at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, 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 reports dated October 22, 2004 on our consideration of Great River Area Education Agency #16's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are 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.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Great River Area Education Agency #16's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information, as in the table of contents, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Walker Egerton & Hurstaker PC

October 22, 2004

Great River Area Education Agency #16 Management's Discussion and Analysis

Great River Area Education Agency #16 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,146,363 fiscal year 2003 (FY03) to \$9,442,019 in fiscal year 2004 (FY04), while General Fund expenditures increased from \$8,894,262 in FY03 to \$9,109,644 in FY04. This resulted in a increase in the Agency's General Fund balance from \$646,470 in FY03 to \$809,644 in FY04, a 25 percent increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and federal grant revenues in FY04, primarily Part B LEA flow-thru funding. The increase in expenditures was due primarily to an increase in services provided to the local school districts along with the corresponding expenditures from sending the Part B funding to the local school districts.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the agency's financial activities.
- The Government-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Great River Area Education Agency #16 as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, and Supplementary Information provides detailed information about other items of interest.

REPORTING THE AGENCY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Government-Wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Agency's assets and liabilities. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the Agency's net assets and how they have changed. Net assets - the difference between the Agency's assets and liabilities - are one way to measure the Agency's financial health or position.

- Over time, increases or decreases in the Agency's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, additional non-financial factors, such as changes in the Agency's property tax base and the condition of its facilities, need to be considered.

In the Government-wide financial statements, the Agency's activities are divided into two categories:

- *Governmental activities:* Most of the Agency's basic services are included here, such as regular and special education instruction, student and instructional staff support services and administration. Local school districts, federal and state aid finance most of these activities.
- *Business-type activities:* The Agency charges fees to help cover the cost of certain services it provides. The Agency's cooperative purchasing program is included here.

Fund Financial Statements

The fund financial statements provide detailed information about the Agency's funds, focusing on its most significant or "major" funds - not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law or by bond covenants. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for major construction projects or to show that it is properly using certain revenues, such as federal grants.

The Agency has two kinds of funds:

1) Governmental funds account for most of the Agency's basic services. These focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end - available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or difference between the two statements. The Agency's governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, 3) the Debt Service Fund, and 4) the Capital Projects Fund.

The governmental funds required financial statements include a balance sheet and a statement of revenues, expenses, expenditures and changes in fund balances.

2) Proprietary funds account for services for which the Agency charges a fee. Proprietary funds are reported in the same way as the Government-wide statements. The Agency's enterprise fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The Agency currently has one Enterprise Fund, the Cooperative Purchasing Fund.

The proprietary funds required financial statements include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

A summary reconciliation between Government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Great River Area Education Agency #16's net assets at the end of FY04 totaled approximately \$1.86 million as compared to approximately \$1.54 million at the end of FY03. The analysis that follows provides a summary of the Agency's net assets at June 30, 2004 and 2003 for the governmental and business-type activities.

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	June 30,		June 30,		June 30,	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 3,161,834	\$ 3,762,959	\$ 103,795	\$ 108,358	\$ 3,265,629	\$ 3,871,317
Capital assets	<u>2,857,409</u>	<u>2,796,409</u>	<u>-</u>	<u>-</u>	<u>2,857,409</u>	<u>2,796,409</u>
Total assets	<u>6,019,243</u>	<u>6,559,368</u>	<u>103,795</u>	<u>108,358</u>	<u>6,123,038</u>	<u>6,667,726</u>
Long-term obligations	2,143,608	2,263,662	-	-	2,143,608	2,263,662
Other liabilities	<u>2,011,472</u>	<u>2,756,790</u>	<u>27,423</u>	<u>25,087</u>	<u>2,038,895</u>	<u>2,781,877</u>
Total liabilities	<u>4,155,080</u>	<u>5,020,452</u>	<u>27,423</u>	<u>25,087</u>	<u>4,182,503</u>	<u>5,045,539</u>
Net assets:						
Invested in capital assets, net of related debt	672,409	611,409	-	-	672,409	611,409
Restricted	-	30,801	-	-	-	30,801
Unrestricted	<u>1,191,754</u>	<u>896,706</u>	<u>76,372</u>	<u>83,271</u>	<u>1,268,126</u>	<u>979,977</u>
Total net assets	<u>\$ 1,864,163</u>	<u>\$ 1,538,916</u>	<u>\$ 76,372</u>	<u>\$ 83,271</u>	<u>\$ 1,940,535</u>	<u>\$ 1,622,187</u>

The Agency's combined net assets increased by approximately \$318,000 from FY03, a 21% increase.

The following analysis shows the changes in nets assets for the years ended June 30, 2004 and 2003:

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	June 30, 2004	2003	June 30, 2004	2003	June 30, 2004	2003
Revenues:						
Program revenues:						
Charges for service	\$ 485,526	\$ 472,681	\$ 116,419	\$ 109,932	\$ 601,945	\$ 582,613
Operating grants and contributions	9,025,612	8,826,084	-	-	9,025,612	8,826,084
General revenues:						
Juvenile Detention Aid	136,080	130,760	-	-	136,080	130,760
Interest and investment earnings	19,266	79,674	-	-	19,266	79,674
Miscellaneous	<u>119,760</u>	<u>19,502</u>	<u>-</u>	<u>-</u>	<u>119,760</u>	<u>19,502</u>
Total revenues	<u>9,786,244</u>	<u>9,528,701</u>	<u>116,419</u>	<u>109,932</u>	<u>9,902,663</u>	<u>9,638,633</u>
Program Expenses						
Instruction	535,154	635,110	-	-	535,154	635,110
Student support services	4,591,509	4,367,104	-	-	4,591,509	4,367,104
Instructional staff support services	2,172,951	2,150,532	-	-	2,172,951	2,150,532
General administration	1,001,166	945,364	-	-	1,001,166	945,364
Business administration	429,976	437,653	-	-	429,976	437,653
Plant operations and maintenance	191,125	190,088	-	-	191,125	190,088
Central and other support services	437,608	350,495	-	-	437,608	350,495
Long-term debt interest	101,508	104,628	-	-	101,508	104,628
Non-instructional programs	<u>-</u>	<u>-</u>	<u>123,318</u>	<u>111,084</u>	<u>123,318</u>	<u>111,084</u>
Total expenses	<u>9,460,997</u>	<u>9,180,974</u>	<u>123,318</u>	<u>111,084</u>	<u>9,584,315</u>	<u>9,292,058</u>
Excess (deficiency) before special and extraordinary items	<u>325,247</u>	<u>347,727</u>	<u>(6,899)</u>	<u>(1,152)</u>	<u>318,348</u>	<u>346,575</u>
Special and extraordinary items:						
Reversion to State Treasurer	<u>-</u>	<u>(301,664)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(301,664)</u>
Change in net assets	325,247	46,063	(6,899)	(1,152)	318,348	44,911
Net assets beginning of year	<u>1,538,916</u>	<u>1,492,853</u>	<u>83,271</u>	<u>84,423</u>	<u>1,622,187</u>	<u>1,577,276</u>
Net assets end of year	<u>\$ 1,864,163</u>	<u>\$ 1,538,916</u>	<u>\$ 76,372</u>	<u>\$ 83,271</u>	<u>\$ 1,940,535</u>	<u>\$ 1,622,187</u>

Charges for services account for 5% of the total revenue. Operating grants and contributions from local, state and federal sources account for 92% of the total revenue. The Agency's expenses primarily relate to instruction and services provided to local school districts, which account for 77% of the operating expenses.

Governmental Activities

Revenues for governmental activities were \$9,786,244 and expenses were \$9,460,997. In a difficult budget year with unstable future funding sources, the Agency was able to instigate cost saving measures to keep the revenues and operating expenditures relatively balanced.

Business-Type Activities

Revenues of the Agency's business-type activities were \$116,419 and expenses were \$123,318. The Agency's business-type activity is the Cooperative Purchasing program. Revenues for this activity are comprised of charges for services. Expenses consist of the purchase of items for resale and the salary, benefits, travel and meeting expense of the Cooperative Purchasing coordinator.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

As previously noted, Great River Area Education Agency #16 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's governmental funds reported combined fund balances of \$1,320,638 which is an increase over last year's ending fund balances of \$1,157,928. The majority of this increase is attributable to an increase in fund balances of the Special Education Support and Media Services divisions. Both of these divisions fall under the General Fund.

Governmental Fund Highlights

- The General Fund balance increased from \$646,470 to \$809,644 due primarily to the Special Education Support division fund balance increasing by \$119,779 and Media Services by \$62,691. The Educational Services division fund balance experienced a decrease of \$19,296..

Proprietary Fund Highlights

- The Cooperative Purchasing program net assets decreased from \$83,271 at June 30, 2003 to \$76,372 at June 30, 2004, representing a decrease of approximately 8 percent.

BUDGETARY HIGHLIGHTS

The Agency's Board of Directors annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure level, not at the fund or fund type level. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board. Over the course of the year, the Agency amended its annual operating budget one time to reflect adjustments to revenue and expenditures associated with the services needed and provided to the local school districts. A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the required supplementary information section of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the Agency had invested \$672,409, net of accumulated depreciation and related debt, in a broad range of capital assets, including land, buildings, computers, equipment, and an extensive library/media collection. This is a net increase of \$61,000 from last year.

Great River Area Education Agency #16 had depreciation expense of \$275,420 in FY04 and total accumulated depreciation of \$2,175,622 at June 30, 2004. More detailed information about capital assets is available in Note 3 to the financial statements.

Debt

At June 30, 2004, the Agency had \$2,143,608 in long-term debt outstanding compared to \$2,263,662 at June 30, 2003. More detailed information about the Agency's long-term liabilities is available in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the Agency was aware of several existing circumstances that could significantly affect its financial health in the future:

- The Agency has experienced a decrease in the number of students being served by its programs in the past decade. Declining enrollment continues to be a concern with future fiscal year budgets due to substantial negative impact on state funding. A significant decrease in enrollment is expected and included in the FY05 budget.
- Although no additional state funding reductions were implemented by the Iowa legislature during FY05, all prior reductions are permanent.
- The Agency will continue monitoring discretionary expenditures while keeping a close eye on the general fund - fund balance.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office of Great River Area Education Agency #16, 3601 West Avenue Road, Burlington, Iowa 52601.

Respectfully submitted,

R. Greg Manske
Business Manager

Great River Area Education Agency #16
Statement of Net Assets
June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,003,597	\$ -	\$ 1,003,597
Investments	386,428	-	386,428
Receivables:			
Due from other governments	817,191	90,908	908,099
Accounts	2,934	-	2,934
Interest	1,102	-	1,102
Inventories	44,699	12,887	57,586
Restricted ISCAP assets:			
Investments	905,883	-	905,883
Capital assets (net of accumulated depreciation)	<u>2,857,409</u>	<u>-</u>	<u>2,857,409</u>
Total assets	<u>\$ 6,019,243</u>	<u>\$ 103,795</u>	<u>\$ 6,123,038</u>
Liabilities			
Excess of warrants over bank balance	\$ -	\$ 27,364	\$ 27,364
Accounts payable	131,954	-	131,954
Salaries and benefits payable	656,268	59	656,327
ISCAP warrants payable	901,000	-	901,000
ISCAP unamortized bond premium	12,497	-	12,497
Deferred revenue:			
Federal	83,316	-	83,316
Miscellaneous	56,161	-	56,161
Long-term liabilities			
Portion due or payable within one year:			
Certificate of participation	90,000	-	90,000
Compensated absences	80,276	-	80,276
Portion due or payable after one year:			
Certificate of participation	2,095,000	-	2,095,000
Compensated absences	<u>48,608</u>	<u>-</u>	<u>48,608</u>
Total liabilities	<u>4,155,080</u>	<u>27,423</u>	<u>4,182,503</u>
Net assets			
Invested in capital assets, net of related debt	672,409	-	672,409
Fund balance:			
Unrestricted	<u>1,191,754</u>	<u>76,372</u>	<u>1,268,126</u>
Total net assets	<u>1,864,163</u>	<u>76,372</u>	<u>1,940,535</u>
Total liabilities and net assets	<u>\$ 6,019,243</u>	<u>\$ 103,795</u>	<u>\$ 6,123,038</u>

See notes to financial statements

Great River Area Education Agency #16
Statement of Activities
Year Ended June 30, 2004

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- type Activities	Total
Expenditures						
Instruction	535,154	244,109	-	(291,045)	-	(291,045)
Student support services	4,591,509	-	8,854,563	4,263,054	-	4,263,054
Instructional staff support services	2,172,951	239,247	165,049	(1,768,655)	-	(1,768,655)
General administration	1,001,166	-	-	(1,001,166)	-	(1,001,166)
Business administration	429,976	-	-	(429,976)	-	(429,976)
Plant operations and maintenance	191,125	-	-	(191,125)	-	(191,125)
Central and other support services	437,608	2,170	6,000	(429,438)	-	(429,438)
Interest on long-term debt	<u>101,508</u>	<u>-</u>	<u>-</u>	<u>(101,508)</u>	<u>-</u>	<u>(101,508)</u>
Total governmental activities	<u>9,460,997</u>	<u>485,526</u>	<u>9,025,612</u>	<u>50,141</u>	<u>-</u>	<u>50,141</u>
Business-type activities						
Non-instructional programs:						
Cooperative purchasing	<u>123,318</u>	<u>116,419</u>	<u>-</u>	<u>-</u>	<u>(6,899)</u>	<u>(6,899)</u>
Total	<u>\$ 9,584,315</u>	<u>\$ 601,945</u>	<u>\$ 9,025,612</u>	<u>50,141</u>	<u>(6,899)</u>	<u>43,242</u>
General revenues:						
Juvenile Detention Tuition Aid				136,080	-	136,080
Interest and investment earnings				19,266	-	19,266
Miscellaneous				<u>119,760</u>	<u>-</u>	<u>119,760</u>
Total general revenues				<u>275,106</u>	<u>-</u>	<u>275,106</u>
Change in net assets				325,247	(6,899)	318,348
Net assets beginning of year, as restated (Note 10)				<u>1,538,916</u>	<u>83,271</u>	<u>1,622,187</u>
Net assets end of year				<u>\$ 1,864,163</u>	<u>\$ 76,372</u>	<u>\$ 1,940,535</u>

See notes to financial statements

Great River Area Education Agency #16
Balance Sheet
Governmental Funds
June 30, 2004

	General	Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments	\$ 874,731	\$ 128,865	\$ 1,003,596
Investments	-	386,428	386,428
Receivables:			
Due from other governments	756,513	60,678	817,191
Accounts	2,934	-	2,934
Interest	-	1,103	1,103
Inventories	44,699	-	44,699
Restricted ISCAP assets:			
Investments	<u>905,883</u>	<u>-</u>	<u>905,883</u>
Total assets	<u>\$ 2,584,760</u>	<u>\$ 577,074</u>	<u>\$ 3,161,834</u>
Liabilities and Fund Balances			
Accounts payable	\$ 96,939	\$ 35,015	\$ 131,954
Salaries and benefits payable	625,203	31,065	656,268
ISCAP warrants payable	901,000	-	901,000
ISCAP unamortized bond premium	12,497	-	12,497
Deferred revenue:			
Federal	83,316	-	83,316
Miscellaneous	<u>56,161</u>	<u>-</u>	<u>56,161</u>
Total liabilities	<u>1,775,116</u>	<u>66,080</u>	<u>1,841,196</u>
Fund Balances			
Fund balance:			
Reserved for:			
Encumbrances	17,496	-	17,496
Inventories	44,699	-	44,699
Unreserved:			
Designated for subsequent year's expenditures	232,465	244,420	476,885
Undesignated, reported in:			
General fund	514,984	-	514,984
Special revenue funds	-	68,430	68,430
Debt service fund	<u>-</u>	<u>198,144</u>	<u>198,144</u>
Total fund balances	<u>809,644</u>	<u>510,994</u>	<u>1,320,638</u>
Total liabilities and fund balances	<u>\$ 2,584,760</u>	<u>\$ 577,074</u>	<u>\$ 3,161,834</u>

See notes to financial statements

**Great River Area Education Agency #16
Reconciliation of the Balance Sheet - Governmental
Funds to the Statement of Net Assets
June 30, 2004**

Total governmental fund balances	\$ 1,320,638
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$5,033,031 and the accumulated depreciation is \$2,175,622	2,857,409
Long-term liabilities, including certificates of participation, capital leases and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,313,884)</u>
Net assets of governmental activities	\$ <u>1,864,163</u>

See notes to financial statements

**Great River Area Education Agency #16
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2004**

	General	Nonmajor Governmental Funds	Total
Revenues			
Local sources	\$ 2,762,539	\$ 204,702	\$ 2,967,241
State sources	2,632,589	139,523	2,772,112
Federal sources	<u>4,046,891</u>	<u>-</u>	<u>4,046,891</u>
Total revenues	<u>9,442,019</u>	<u>344,225</u>	<u>9,786,244</u>
Expenditures			
Current:			
Instruction	206,709	327,383	534,092
Student support services	4,601,465	-	4,601,465
Instructional staff support services	2,268,643	-	2,268,643
General administration	1,024,987	-	1,024,987
Business administration	425,590	-	425,590
Plant operations and maintenance	209,641	-	209,641
Central and other support services	372,609	-	372,609
Debt service	<u>-</u>	<u>186,507</u>	<u>186,507</u>
Total expenditures	<u>9,109,644</u>	<u>513,890</u>	<u>9,623,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>332,375</u>	<u>(169,665)</u>	<u>162,710</u>
Other financing sources (uses):			
Transfers in	9,357	190,727	200,084
Transfers out	<u>(178,558)</u>	<u>(21,526)</u>	<u>(200,084)</u>
Total financing sources (uses)	<u>(169,201)</u>	<u>169,201</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing uses	163,174	(464)	162,710
Fund balances beginning of year	<u>646,470</u>	<u>511,458</u>	<u>1,157,928</u>
Fund balances end of year	<u>\$ 809,644</u>	<u>\$ 510,994</u>	<u>\$ 1,320,638</u>

See notes to financial statements

**Great River Area Education Agency #16
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds to the Statement of Activities
 June 30, 2004**

Total change in fund balances - total governmental funds \$ 162,710

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets. Capital outlay exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 336,422	
Depreciation expense	<u>(275,420)</u>	61,002

Repayment of long-term debt principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. 85,000

Compensated absences expense reported in the statement of activities does not require the use of current financial resources, and, therefore, is not reported as an expenditure in the governmental funds. 16,535

Change in net assets of governmental activities **\$ 325,247**

See notes to financial statements

**Great River Area Education Agency #16
Statement of Net Assets - Proprietary Fund
June 30, 2004**

	Cooperative Purchasing
Assets	
Receivables:	
Due from other governments	\$ 90,908
Inventories	<u>12,887</u>
Total assets	<u>103,795</u>
Liabilities	
Excess of warrants over bank balance	27,364
Salaries and benefits payable	<u>59</u>
Total liabilities	<u>27,423</u>
Net assets	
Unrestricted	<u>\$ 76,372</u>

See notes to financial statements

**Great River Area Education Agency #16
Statement of Revenues, Expenses
and Changes in Net Assets
Proprietary Fund
Year Ended June 30, 2004**

Operating revenues	
Sales of materials and equipment	\$ <u>116,419</u>
Total income	<u>116,419</u>
Operating expenses	
Non-instructional programs:	
Salaries	74,187
Employee benefits	9,569
Purchased services	4,002
Purchase of materials and equipment for resale	<u>35,560</u>
Total expenses	<u>123,318</u>
Net loss	(6,899)
Net assets beginning of year	<u>83,271</u>
Net assets end of year	\$ <u>76,372</u>

See notes to financial statements

Great River Area Education Agency #16
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2004

Cash flows from operating activities	
Cash received from users	\$ 112,937
Cash paid to employees	(85,482)
Cash paid to suppliers	<u>(31,517)</u>
Net cash used by operating activities	<u>(4,062)</u>
 Cash flows from capital and related financing activities	
Change in excess of warrants over bank balance	<u>4,062</u>
Net cash provided by capital and related financing activities	<u>4,062</u>
Net decrease in cash and cash equivalents	<u>-</u>
Cash and cash equivalents beginning of year	<u>-</u>
Cash and cash equivalents end of year	<u>\$ -</u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating loss	\$ (6,899)
Changes in assets and liabilities:	
Accounts receivable	(3,482)
Inventories	8,045
Salaries and benefits payable	<u>(1,726)</u>
Net cash used by operating activities	<u>\$ (4,062)</u>

See notes to financial statements

Great River Area Education Agency #16
Notes to Financial Statements
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies

Great River Area Education Agency #16 is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 17 school districts and private schools in a four-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

In fulfilling the responsibilities assigned to it by law, the Great River Area Education Agency #16 provides excellence in leadership and services to the school districts through collaborative partnerships among students, parents and care givers, educators and communities while effectively utilizing all available resources.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Great River Area Education Agency #16 has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Agency 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 Agency are such that exclusion would cause the Agency'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 Agency 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 Agency. The Great River Area Education Agency #16 has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

Government-wide financial statements - The statement of net assets and the statement of activities report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents the Agency's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Great River Area Education Agency #16
Notes to Financial Statements
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The Agency reports the following major governmental funds:

The General Fund is the general operating fund of the Agency. All general revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Special Revenue Funds are used to account for programs where the Agency employs teachers to provide instruction to special education pupils. The actual costs of providing instructional services to the pupils are billed to the individual school districts.

The Agency's proprietary fund is the Enterprise, Cooperative Purchasing Fund. This fund is used to account for the cooperative purchasing activities for local school districts.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The Government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus. The Government-wide and proprietary fund financial statements are reported using 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 satisfied.

Great River Area Education Agency #16
Notes to Financial Statements
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary Fund Financial Statements

The proprietary fund of the Agency 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency's enterprise fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Great River Area Education Agency #16
Notes to Financial Statements
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - Cash includes amounts in demand deposits and money market funds. Investments are stated at fair value.

All short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Inventories - Inventories are stated at cost using the first-in, first-out method and consist of expendable supplies and materials. The cost of these items is recorded as an expenditure at the time of consumption.

Restricted ISCAP Investment - The ISCAP investment consists of ISCAP warrant revenues retained for future cash needs and for payment of warrant interest.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities column in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost, estimated historical cost if historical cost is not available, or fair market value when donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the Agency as assets with initial, individual costs in excess of \$2,000 and estimated useful lives in excess of two years.

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Furniture and equipment	5-20
Library materials	7

Salaries and Benefits Payable - Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Deferred revenue represents an excess of cash advances by the funding source over accrued expenditures at year end.

Great River Area Education Agency #16
Notes to Financial Statements
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. This liability has been computed based on rates of pay in effect at June 30, 2004. The Agency is also liable for early separation benefits which the separated employees have elected to apply to future insurance benefits. A liability has been recorded in the statement of net assets representing the Agency's commitment to fund non-current compensated absences.

Long-term obligations - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Note 2. Cash and Pooled Investments

The Agency'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 the depositories to insure there will be no loss of public funds.

The Agency 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 Board of Directors; 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 Agency's investments are categorized to give an indication of the level of risk assumed by the Agency at year end. The Agency's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the Agency or its agent in the Agency's name.

The Agency's investments at June 30, 2004 consisted of U.S. Treasury, State and Local Government Series Notes and Federal Home Loan Bank Notes with a fair market value of \$386,428.

Great River Area Education Agency #16
Notes to Financial Statements
Year Ended June 30, 2004

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as restated	<u>Additions</u>	<u>Deletions</u>	Balance End of Year
Governmental Activities Capital Assets:				
Land	\$ 141,600	\$ -	\$ -	\$ 141,600
Land improvements	-	\$ 22,085	\$ -	22,085
Buildings	1,884,987	\$ -	\$ -	1,884,987
Furniture, equipment, and vehicles	1,181,168	100,449	(359,948)	921,669
Library books & films	<u>1,909,249</u>	<u>213,890</u>	<u>(60,449)</u>	<u>2,062,690</u>
Total capital assets	<u>5,117,004</u>	<u>336,424</u>	<u>(420,397)</u>	<u>5,033,031</u>
Less accumulated depreciation:				
Land improvements	-	828	-	828
Buildings	116,074	32,700	-	148,774
Furniture, equipment, and vehicles	798,918	83,566	(359,948)	522,536
Library books & films	<u>1,405,607</u>	<u>158,326</u>	<u>(60,449)</u>	<u>1,503,484</u>
Total accumulated depreciation	<u>2,320,599</u>	<u>275,420</u>	<u>(420,397)</u>	<u>2,175,622</u>
Governmental activities capital assets, net	<u>\$ 2,796,405</u>	<u>\$ 61,004</u>	<u>\$ -</u>	<u>\$ 2,857,409</u>

Depreciation expense was charged to functions of the Agency as follows:

Governmental activities:	
Instruction	\$ 2,305
Student support services	3,088
Instructional staff support services	191,663
General administration	7,906
Business administration	4,200
Plant operations and maintenance	3,712
Central and other support services	<u>62,546</u>
Total governmental activities depreciation expense	<u>\$ 275,420</u>

Great River Area Education Agency #16
Notes to Financial Statements
Year Ended June 30, 2004

Note 4. Pension and Retirement Benefits

The Agency 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 Agency is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$322,556, \$326,052 and \$330,271 respectively, equal to the required contributions for each year.

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The Agency participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards, administered by Wells Fargo Bank Iowa, N.A., and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants which mature as noted below. The warrant sizing of each participating entity is based on a projection of cash flow needs during the semiannual period. Wells Fargo Bank Iowa, N.A. maintains ISCAP accounts for each participating entity and provides monthly statements regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. A summary of the Agency's participation in ISCAP as of June 30, 2004 is as follows:

<u>Series</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Investment</u>	<u>Warrants Payable</u>	<u>Accrued Interest Receivable</u>	<u>Accrued Interest Payable</u>
2004-2005A	6/30/04	6/30/05	\$ 905,883	\$ 901,000	\$ -	\$ -

The Agency pledges its state foundation aid payments and general fund receipts as security for warrants issued. Repayments must be made when general fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the Agency must repay the outstanding withdrawal from its general fund receipts. In addition, the Agency must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

The warrants bear an interest rate of 3% and the available proceeds of the warrants are invested at an interest rate of 2.463%. The net interest earned or due from the series is recorded as a revenue or an expenditure at maturity.

Great River Area Education Agency #16
Notes to Financial Statements
Year Ended June 30, 2004

Note 6. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	<u>Compensated Absences</u>	<u>Certificates of Participation</u>	<u>Total</u>
Balance beginning of year	\$ 145,421	\$ 2,270,000	\$ 2,415,421
Additions	89,158	-	89,158
Reductions	<u>(105,695)</u>	<u>(85,000)</u>	<u>(190,695)</u>
Balance end of year	<u>\$ 128,884</u>	<u>\$ 2,185,000</u>	<u>\$ 2,313,884</u>

Certificates of Participation

The Agency has sold certificates of participation for land and facilities for a total of \$2,500,000. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over a period of twenty years with interest rates ranging from 3.7% to 4.75%. The following is a schedule by year of the future minimum payments required:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	4.00 %	90,000	98,150	188,150
2006	4.05 %	95,000	94,550	189,550
2007	4.10 %	100,000	90,703	190,703
2008	4.20 %	110,000	86,603	196,603
2009	4.25 %	115,000	81,983	196,983
Thereafter	4.35-4.75%	<u>1,675,000</u>	<u>470,279</u>	<u>2,145,279</u>
		<u>\$ 2,185,000</u>	<u>\$ 922,268</u>	<u>\$ 3,107,268</u>

Payments totaling \$186,508 were made for the certificates of participation in the year ended June 30, 2004.

Great River Area Education Agency #16
Notes to Financial Statements
Year Ended June 30, 2004

Note 7. Operating Leases

The Agency has leased various facilities within the area to house the different divisions of the Agency. These leases have been classified as operating leases as defined by Financial Accounting Standards Board Statement No. 13, "Accounting for Leases" and accordingly all rents are charged to expense as incurred. The leases expire between December 31, 2004 and September 30, 2006 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2004.

Year ended June 30, 2005	30,258
Year ended June 30, 2006	13,800
Year ended June 30, 2007	2,625

The total rental expense for the year ended June 30, 2004 for all operating leases, except those with terms of a month or less that were not renewed, was \$43,416.

Note 8. Joint Venture

The Agency is a participant in the Southeast Iowa Schools Health Care Plan, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide and maintain a self-funded health benefits program for area schools. The Agency currently provides one member of the fifteen member Board.

The 28E organization's annual audited financial statements and actuarial report are available at the Agency's business office.

Note 9. Risk Management

Great River Area Education Agency #16 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.

Great River Area Education Agency #16
Notes to Financial Statements
Year Ended June 30, 2004

Note 10. Correction of an Error

During the year ended June 30, 2003, beginning net assets for governmental activities was restated to include capital assets and the changes in assets and liabilities at July 1, 2002 resulting from the conversion to the accrual basis of accounting. An error was made in the calculation of accumulated depreciation as of July 1, 2002 resulting in an understatement in capital assets, net of accumulated depreciation and in net assets of \$117,536. Net assets at July 1, 2003 have been restated to reflect the correction.

Great River Area Education Agency #16
Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual
All Governmental Funds and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budget		Final to Actual Variance - Favorable (Unfavorable)
				Original	Final	
Revenues						
Local sources	\$ 2,967,241	\$ 116,419	\$ 3,083,660	\$ 3,083,200	\$ 3,223,800	\$ (140,140)
State sources	2,772,112	-	2,772,112	3,246,071	2,799,844	(27,732)
Federal sources	4,046,891	-	4,046,891	3,975,572	4,159,228	(112,337)
Total revenues	<u>9,786,244</u>	<u>116,419</u>	<u>9,902,663</u>	<u>10,304,843</u>	<u>10,182,872</u>	<u>(280,209)</u>
Expenditures						
Instruction	534,092	-	534,092	690,975	631,124	97,032
Student and staff support services	4,601,465	-	4,601,465	4,042,986	3,767,461	(834,004)
Instructional staff support services	2,268,643	-	2,268,643	2,457,535	2,465,060	196,417
General administration	1,024,987	-	1,024,987	1,098,434	1,035,758	10,771
Business administration	425,590	-	425,590	479,325	769,266	343,676
Plant operations and maintenance	209,641	-	209,641	198,973	224,811	15,170
Central and other support services	372,609	-	372,609	372,912	401,587	28,978
Non instructional programs	-	123,318	123,318	124,533	107,462	(15,856)
Debt service	186,507	-	186,507	180,000	186,508	1
Total expenditures	<u>9,623,534</u>	<u>123,318</u>	<u>9,746,852</u>	<u>9,645,673</u>	<u>9,589,037</u>	<u>(157,815)</u>
Excess (deficiency) of revenues over (under) expenditures	162,710	(6,899)	155,811	659,170	593,835	(438,024)
Total other financing sources (uses), net	<u>-</u>	<u>-</u>	<u>-</u>	<u>(644,470)</u>	<u>(805,499)</u>	<u>805,499</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>162,710</u>	<u>(6,899)</u>	<u>155,811</u>	<u>14,700</u>	<u>(211,664)</u>	<u>367,475</u>
Balance beginning of year	<u>1,157,928</u>	<u>83,271</u>	<u>1,241,199</u>	<u>1,485,186</u>	<u>1,572,864</u>	<u>(331,665)</u>
Balance end of year	<u>\$ 1,320,638</u>	<u>\$ 76,372</u>	<u>\$ 1,397,010</u>	<u>\$ 1,499,886</u>	<u>\$ 1,361,200</u>	<u>\$ 35,810</u>

See accompanying independent auditor's report

Great River Area Education Agency #16
Note to Required Supplementary Information -
Budgetary Reporting
Year Ended June 30, 2004

The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure/expense level, not at the fund or fund type level. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

Great River Area Education Agency #16
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Special Revenue - Special Ed Instruction	Special Revenue - Juvenile Home	Debt Service	Capital Project	Total
Assets					
Cash and pooled investments	\$ 29,505	\$ 44,327	\$ 45,527	\$ 9,506	\$ 128,865
Investments	-	-	151,514	234,914	386,428
Receivables:					
Due from other governments	60,678	-	-	-	60,678
Accounts	-	-	-	-	-
Interest	-	-	1,103	-	1,103
Inventories	-	-	-	-	-
Restricted ISCAP assets:					
Investments	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-
Total assets	<u>\$ 90,183</u>	<u>\$ 44,327</u>	<u>\$ 198,144</u>	<u>\$ 244,420</u>	<u>\$ 577,074</u>
Liabilities and Fund Balances					
Accounts payable	\$ -	\$ 35,015	\$ -	\$ -	\$ 35,015
Salaries and benefits payable	21,753	9,312	-	-	31,065
ISCAP warrants payable	-	-	-	-	-
ISCAP unamortized bond premium	-	-	-	-	-
Deferred revenue:					
Miscellaneous	-	-	-	-	-
Total liabilities	<u>21,753</u>	<u>44,327</u>	<u>-</u>	<u>-</u>	<u>66,080</u>
Fund Balances					
Fund balance:					
Reserved for:					
Media	-	-	-	-	-
Unreserved:					
Designated for subsequent year's expenditures	-	-	-	244,420	244,420
Undesignated, reported in:					
General fund	-	-	-	-	-
Special revenue funds	68,430	-	-	-	68,430
Debt service fund	-	-	198,144	-	198,144
Total fund balances	<u>68,430</u>	<u>-</u>	<u>198,144</u>	<u>244,420</u>	<u>510,994</u>
Total liabilities and fund balances	<u>\$ 90,183</u>	<u>\$ 44,327</u>	<u>\$ 198,144</u>	<u>\$ 244,420</u>	<u>\$ 577,074</u>

See accompanying independent auditor's report

Great River Area Education Agency #16
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2004

	Special Revenue - Special Ed Instruction	Special Revenue - Juvenile Home	Debt Service	Capital Project	Total
Revenues					
Local sources	\$ 197,220	\$ -	\$ 7,764	\$ (282)	\$ 204,702
State sources	2,016	137,507	-	-	139,523
Federal sources	-	-	-	-	-
Total revenues	<u>199,236</u>	<u>137,507</u>	<u>7,764</u>	<u>(282)</u>	<u>344,225</u>
Expenditures					
Current:					
Instruction	191,832	135,551	-	-	327,383
Student support services	-	-	-	-	-
Instructional staff support services	-	-	-	-	-
General administration	-	-	-	-	-
Business administration	-	-	-	-	-
Plant operations and maintenance	-	-	-	-	-
Central and other support services	-	-	-	-	-
Debt service	-	-	186,507	-	186,507
Total expenditures	<u>191,832</u>	<u>135,551</u>	<u>186,507</u>	<u>-</u>	<u>513,890</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,404</u>	<u>1,956</u>	<u>(178,743)</u>	<u>(282)</u>	<u>(169,665)</u>
Other financing sources (uses):					
Sales of equipment and materials	-	-	-	-	-
Transfers in	-	-	190,727	-	190,727
Transfers out	(7,404)	(1,956)	-	(12,166)	(21,526)
State reversion	-	-	-	-	-
Total financing sources (uses)	<u>(7,404)</u>	<u>(1,956)</u>	<u>190,727</u>	<u>(12,166)</u>	<u>169,201</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing uses	-	-	11,984	(12,448)	(464)
Fund balances beginning of year	<u>68,430</u>	<u>-</u>	<u>186,160</u>	<u>256,868</u>	<u>511,458</u>
Fund balances end of year	<u>\$ 68,430</u>	<u>\$ -</u>	<u>\$ 198,144</u>	<u>\$ 244,420</u>	<u>\$ 510,994</u>

See accompanying independent auditor's report

Great River Area Education Agency #16
Schedule of Revenues by Source and Expenditures by Function -
All Governmental Funds
For the Last Four Years

	2004	2003	2002	2001
Revenues				
Local sources	\$ 2,967,241	\$ 2,898,042	\$ 3,093,737	\$ 3,284,174
State sources	2,772,112	3,179,934	3,220,999	3,411,016
Federal sources	<u>4,046,891</u>	<u>3,450,373</u>	<u>3,082,825</u>	<u>2,520,522</u>
Total	<u><u>9,786,244</u></u>	<u><u>9,528,349</u></u>	<u><u>9,397,561</u></u>	<u><u>9,215,712</u></u>
Expenditures				
Current:				
Instruction	534,092	633,034	787,364	917,557
Student support services	4,601,465	4,341,388	3,706,956	3,775,037
Instructional staff support services	2,268,643	2,299,130	2,231,887	2,121,369
General administration	1,024,987	1,034,829	986,452	947,175
Business administration	425,590	434,766	472,923	504,267
Plant operations and maintenance	209,641	190,836	198,405	203,763
Central and other support services	372,609	301,257	361,002	386,352
Debt service	186,507	184,628	182,477	190,203
Facilities acquisition and construction	<u>-</u>	<u>-</u>	<u>7,458</u>	<u>23,825</u>
Total	<u><u>9,623,534</u></u>	<u><u>9,419,868</u></u>	<u><u>8,934,924</u></u>	<u><u>9,069,548</u></u>

See accompanying independent auditor's report

Great River Area Education Agency #16
Schedule of Expenditures of Federal Awards
Year ended June 30, 2004

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Entity ID Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education:			
Special Education Cluster			
Special Education - Grants to States	84.027		
Pass-through programs from Iowa Department of Education:			
IDEA Part B		#030416	\$ 2,598,376
IDEA Part B - LEA subgrants (Note B)		#4KB2-16	713,991
Para Educator Training		3K76-16	6,000
LEA Success 4 Project		3K75-16	77,008
Parent-Educator Connection		37416	52,166
Diagnostic Evaluation Project		n/a	28,699
AEA Supplemental Support Services		3K72-16	21,874
SIG/IEP Improvement		3IEP-16	10,672
Pass-through program from University of Iowa:			
Assistive Technology Training		3K72-16	<u>30,603</u>
Total Special Education - Grants to States			<u>3,539,389</u>
Special Education - Preschool Grants	84.173		
Pass-through program from Iowa Department of Education:			
Section 619		#03619-16	<u>121,796</u>
Total Special Education Cluster			<u>3,661,185</u>
Pass-through programs from Iowa Department of Education:			
Special Education - Grants for Infants and Families with Disabilities	84.181		
IDEA part C		C03-16	125,576
DDL/Title I Accountability	84.348		
Gates Foundation grant		#65902-04	43,147
English Language Acquisition Grants	84.365		
ELL/LEP			4,487
Dwight D. Eisenhower Professional Development Allocation	84.281A		73,925
Education Technology State Grants	84.318	#E2T2-2003	108,417
Reading First State Grants	84.357		1,416
Corporation for National and Community Service			
Pass-through programs from Iowa Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	#04SL0016	<u>1,800</u>
			<u>\$ 4,019,953</u>

See accompanying notes to schedule of expenditures of federal awards.

See accompanying independent auditor's report

Great River Area Education Agency #16
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2004

Note A - Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Great River Area Education Agency #16 and is presented on the modified accrual basis. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note B - Subrecipients

Great River Area Education Agency #16 provided federal awards to subrecipients under U.S. Department of Education Special Education - Grants to States (CFDA #84.027) as follows:

Subrecipient	Amount Provided
Burlington Community School District	\$ 207,562
Central Lee Community School District	39,516
Danville Community School District	16,576
Ft. Madison Community School District	115,938
Keokuk Community School District	101,867
Mediapolis Community School District	33,683
Morning Sun Community School District	9,337
Mt. Pleasant Community School District	77,569
New London Community School District	21,220
Waco Community School District	22,374
Wapello Community School District	31,588
West Burlington Independent School District	20,756
Winfield/Mt. Union Community School District	<u>16,005</u>
	<u>\$ 713,991</u>

James Walker, CPA
James Egerton, CPA
Kimberly Hunsaker, CPA
Melodee Walker, CPA
Stephanie Hoschek, CPA
William Hesse, LPA



214 North Fourth Street
PO Box 547
Burlington IA 52601

319 752 6348
800 757 6348
319 752 8644 fax
Info@walkeregerton.com

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

To the Board of Directors of
Great River Area Education Agency #16
Burlington, Iowa

We have audited the financial statements of Great River Area Education Agency #16, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 22, 2004. 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 Great River Area Education Agency #16'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.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Agency. 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 the Great River Area Education Agency #16'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 Great River Area Education Agency #16'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 Part II of the accompanying Schedule of Findings and Questioned Costs.

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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Great River Area Education Agency #16 and other parties to whom Great River Area Education Agency #16 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 Great River Area Education Agency #16 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.

Walker Egerton & Hunsaker PC

October 22, 2004

James Walker, CPA
James Egerton, CPA
Kimberly Hunsaker, CPA
Melodee Walker, CPA
Stephanie Hoschek, CPA
William Hesse, LPA



214 North Fourth Street
PO Box 547
Burlington IA 52601

319 752 6348
800 757 6348
319 752 8644 fax
Info@walkeregerton.com

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance

To the Board of Directors of
Great River Area Education Agency #16
Burlington, Iowa

Compliance

We have audited the compliance of Great River Area Education Agency #16 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2004. Great River Area Education Agency #16's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Great River Area Education Agency #16's management. Our responsibility is to express an opinion on their compliance based on our audit.

We conducted our audit of compliance 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, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Great River Area Education Agency #16's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Great River Area Education Agency #16's compliance with those requirements.

In our opinion, Great River Area Education Agency #16 complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control over Compliance

The management of Great River Area Education Agency #16 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Great River Area Education Agency #16's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law is intended solely for the information and use of the officials, employees and constituents of Great River Area Education Agency #16 and other parties to whom Great River Area Education Agency #16 may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Walker Egerton & Hunsaker PC

October 22, 2004

**Great River Area Education Agency #16
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004**

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements which were not considered to be material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (e) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) Major program was as follows:
 - CFDA Number 84.027 - Special Education - Grants to States
 - CFDA Number 84.173 - Special Education - Preschool Grants
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Great River Area Education Agency #16 did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

Instance of Noncompliance

No matters were noted.

Reportable Conditions

- 04-II-A Staff Development Receipts - Cash receipts for staff development activities are not being remitted to the business office on a timely basis.

Recommendation - Control over cash receipts would be strengthened if checks, credit card charges and currency received were submitted to the business office in a more timely manner.

Response - We will initiate a new system of accounting for Staff Development receipts that will allow for a more timely submission to the business office.

Conclusion - Response accepted.

**Great River Area Education Agency #16
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004**

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting

- 04-IV-A Official Depositories - A resolution naming official depositories has been adopted by the Agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- 04-IV-B Budget - Expenditures during the year ended June 30, 2004 did not exceed the amount budgeted.
- 04-IV-C Questionable Expenditures - We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 04-IV-D Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- 04-IV-E Business Transactions - No business transactions between the Agency and Agency officials or employees were noted.
- 04-IV-F Bond Coverage - Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 04-IV-G Deposits and Investments - The Agency complied with the provisions of Chapters 12B and 12C of the Code of Iowa.
- 04-IV-H Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 04-IV-I Certified Annual Financial Report - The Certified Annual Financial Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.