MISSISSIPPI BEND
AREA EDUCATION AGENCY 9
Bettendorf, Iowa

FINANCIAL STATEMENTS
June 30, 2004

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MISSISSIPPI BEND AREA EDUCATION AGENCY 9

OFFICIALS

Board of Directors

After October, 2003 Election

Name	Title	Term Expires
William Koellner	President	2005
David Swim	Vice-President	2006
Ann Hart	Member	2005
Dick Wold	Member	2005
Jody Hawley	Member	2004
Tom Mielnik	Member	2004
Mary Rueter	Member	2004
Jeanita Harris	Member	2006
Richard Kissack	Member	2006

Before October, 2003 Election

Name	Title	Term Expires
William Koellner	President	2005
David Swim	Vice-President	2003
Jody Hawley	Member	2004
Mary Rueter	Member	2004
Jeanita Harris	Member	2003
Richard Kissack	Member	2003
Tom Mielnik	Member	2004
Ann Hart	Member	2005
Dick Wold	Member	2005

Agency

Glenn Pelecky	Administrator	Indefinite
Linda Perry	Board Secretary	Indefinite
Tom Wirtz	Treasurer and Director of Central Administration	Indefinite

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

To the Board of Directors of
Mississippi Bend Area Education Agency 9
Bettendorf, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mississippi Bend Area Education Agency 9 as of and for the year ended June 30, 2004, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Agency officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, 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 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mississippi Bend Area Education Agency 9, as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2004, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Member of

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 28 through 29 are not a required part of the basic financial statements, but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mississippi Bend Area Education Agency 9'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). An unqualified opinion for June 30, 2003 was expressed. A qualified opinion, except for the omission of the General Fixed Asset Account Group, for June 30, 2001 and June 30, 2002 was expressed. The combining nonmajor fund schedules and the schedule of revenues by source and expenditures by function - all governmental fund types listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, and is not a required part of the basis financial statements. Such information has been subjected to the auditing procedures applied in our 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.

Clifton Gunderson LLP

Clinton, Iowa
September 17, 2004

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

Mississippi Bend Area Education Agency 9 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 $27,019,926 in fiscal year 2003 (FY03) to $28,659,066 in fiscal year 2004 (FY04), while General Fund expenditures increased from $26,696,055 in FY03 to $28,429,504 in FY04. This resulted in a decrease in the Agency's General Fund balance from $2,608,627 in FY03 to $2,579,743 in FY04, a 1.1 percent decrease from the prior year.

- The increase in General Fund revenues was attributable to an increase in state and federal grant revenue in FY04. The increase in expenditures was due primarily to an increase in services provided by the additional grants.

- During the year ended June 30, 2003, the State of Iowa imposed a 7.5% reduction in AEA controlled funding which reduced general fund revenue by $767,782. This cut continued into 2003-2004.

- Senate File 453 was enacted in the Spring of 2003. This legislation called for a reversion of AEA fund balances to the state. The amount of the Agency's reversion is $468,138. The funds were remitted to the state in 2003-2004. Another provision of Senate File 453 temporarily reduced controlled funding for AEA's by 10 million dollars. AEA 9's portion of this is $1,009,065.

- The Agency was awarded an additional $1,719,499 in Federal IDEA Funds for 2003-2004 and was also awarded four new federal grants totaling $4,380,819. These additional federal funds will be used to maintain special education activities and provide new programs to assist local schools with school improvement and No Child Left Behind activities.

- The Agency's self-insured medical insurance program experienced decreased claim costs. The claims reserve balance increased $657,102. Premiums were increased 20% July 1 2003, and all eligible employees were required to have at least single coverage. This is projected to provide an additional $475,000 per year to the claims reserve. January 1, 2004 the deductible increased from $250 to $1,000 for the single plan and $500 to $2,000 for the dependent plan.

- During FY04 the Governor imposed a 2.5% across the board cut in state spending. AEA 9's portion of the cut was $182,832. Late in June, 10% of the cut, $18,283, was restored.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, 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 Mississippi Bend Area Education Agency 9 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 Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplemental Information further explains and supports the financial statements with a comparison of the Agency's budget for the year.
- Other Supplemental Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various federal programs benefiting the Agency.

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 enrollment served and the condition of its facilities, need to be considered.

- *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 financed most of these activities.

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 one kind of fund:

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 that are 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 differences 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, expenditures and changes in fund balances.

A summary reconciliation between the 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. Mississippi Bend Area Education Agency 9's net assets at the end of fiscal year 2004 totaled approximately $3.45 million. This compared to approximately $3.55 million at the end of fiscal year 2003. The analysis that follows provides a summary of the Agency's net assets at June 30, 2004 for the governmental activities.

Condensed Statement of Net Assets
Governmental Activities

	June 30, 2004	June 30, 2003
Current and other assets	$ 11,047,509	$ 8,078,415
Capital assets	5,358,748	5,535,339
Total assets	16,406,257	13,613,754
Long-term obligations	4,853,920	4,973,359
Other liabilities	8,100,055	5,095,291
Total liabilities	12,953,975	10,068,650
Net assets:		
Invested in capital assets, net of related debt	2,358,748	2,445,339
Restricted	323,622	324,638
Unrestricted	769,912	775,127
Total net assets	$ 3,452,282	$ 3,545,104

The Agency's combined net assets decreased by 3%, or approximately $93,000 from FY03. The decrease was due to an increase in services provided by additional grants and salary increases being greater than the controlled funding received.

The following analysis shows the changes in net assets for the year ended June 30, 2004.

	Changes in Net Assets Governmental Activities	
	June 30, 2004	June 30, 2003
Revenues:		
Program revenues:		
Charges for service	$ 1,938,229	$ 1,608,448
Operating grants and contributions	12,780,050	10,281,961
Total program revenues	14,718,279	11,890,409
General revenues:		
Property taxes	6,762,068	6,560,769
State Foundation Aid	7,125,869	8,314,848
Juvenile Home	514,618	472,178
Local donations	7,452	230,657
Unrestricted investment earnings	56,816	47,139
Total general revenues	14,466,823	15,625,591
Total revenues	29,185,102	27,516,000
Program expenses:		
Instruction	2,550,907	960,393
Student support service	13,594,730	13,323,221
Instructional staff support services	7,351,747	7,118,001
General administration	2,428,499	817,026
Business administration	1,000,472	475,739
Plant operation and maintenance	594,900	574,750
Central and other support services	1,585,996	3,930,901
Interest on long-term debt	170,673	204,156
Total program expenses	29,277,924	27,404,187
Reversion to state treasurer	-	(468,138)
Decrease in net assets	(92,822)	(356,325)
Net assets, beginning of year	3,545,104	3,901,429
Net assets, end of year	$ 3,452,282	$ 3,545,104

Operating grants and contributions from local, state and federal sources account for 93.2% of the total revenue. The Agency's expenses primarily relate to instruction and support services, which account for 80.3% of the total expenses.

GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were $29,185,102 and expenses were $29,277,924. The Agency continues to maintain current services offered with cuts in funding causing expenses to exceed revenues.

FINANCIAL ANALYSIS OF THE AGENCY'S FUND

As previously noted, Mississippi Bend Area Education Agency 9 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's governmental funds reported combined fund balances of $2,947,454 below last year's ending fund balances of $2,983,124. The reason for the decrease is due to an increase in services provided by additional grants, salary increases exceeding the controlled funding received, and the Agency maintaining current services while funding cuts continue.

Governmental Fund Highlights

- The General Fund balance decreased from $2,608,627 to $2,579,743. Encumbrance reserves increased $174,552, inventory and prepaid expenses reserve decreased $46,561, insurance claims reserve increased $409,412, and unreserved undesignated fund balances decreased $566,287.

- The Capital Projects Fund balance decreased due to several small remodeling projects. The Agency ended FY03 with a balance of $31,360. FY04 ended with a balance of $26,014.

- The Debt Service Fund decreased due to an excess of expenditures over transfers of $2,977 and less interest income. Interest income was $3,213 in FY03 and $1,961 in FY04. The Agency ended FY03 with a balance of $324,638. FY04 ended with a balance of $323,622.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Agency amended its annual operating budget one time to reflect additional revenue and expenditures associated with the additional federal grants received. A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the required supplemental information section of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the Agency had invested approximately $5,360,000 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers and audio-visual equipment. This is a net decrease of approximately $180,000 from last year. This increase was primarily due to the current year depreciation expense exceeding the current year additions by approximately $160,000.

Mississippi Bend Area Education Agency 9 had depreciation expense of $502,615 in FY04 and total accumulated depreciation of $4,453,500 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 $4,826,100 in long-term debt outstanding compared to $4,944,789 at June 30, 2003. More detailed information about the Agency's long-term liabilities is available in Note 4 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 for many years. A slight decrease in enrollment is expected to continue in the foreseeable future.

- The State of Iowa made permanent the 7.5% reduction in AEA controlled funding that was imposed in the year ended 6/30/02. This is a permanent reduction of $767,782 from the funds generated by the controlled funding formula.

- Another provision of Senate File 453 enacted in the Spring of 2003 temporarily reduced controlled funding for AEAs by 10 million dollars. AEA 9's portion of this is $1,009,065. This reduction will be offset by an increase in federal IDEA funds, cost containment of non-personnel expenditures, and unreserved fund balances.

- If the cut continues in 2004-2005, reductions in personnel expenditures may be necessary to fund the reductions.

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 Tom Wirtz, Director of Administrative Services, Mississippi Bend Area Education Agency 9, 729 21st Street, Bettendorf, Iowa 52722.

BASIC FINANCIAL STATEMENTS

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
STATEMENT OF NET ASSETS
June 30, 2004

	Governmental Activities
ASSETS	
Cash	$ 430,714
Investments	3,664,600
Receivables	
Due from other governments	2,506,337
Accounts (net of $11,672 allowance for uncollectible accounts)	99,992
Interest	4,636
Inventories	88,502
Prepaid expenses	3,230
Restricted assets	
GO investments	4,249,498
Capital assets (net of accumulated depreciation)	5,358,748
Total assets	16,406,257
LIABILITIES	
Accounts payable	1,390,344
Accrued interest payable	27,820
Salaries and benefits payable	1,926,930
GO warrants payable	4,230,000
GO accrued interest payable	63,450
Deferred revenue	
State and federal grants	177,766
Insurance claims incurred but not reported	311,565
Long-term liabilities	
Portion due or payable within one year	
Certificates of participation	105,000
Compensated absences	256,997
Site license agreement	48,864
Portion due or payable after one year	
Certificates of participation	2,895,000
Compensated absences	1,520,239
Total liabilities	12,953,975
NET ASSETS	
Invested in capital assets, net of related debt	2,358,748
Restricted for	
Debt service	323,622
Unrestricted	769,912
Total net assets	$ 3,452,282

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

EXHIBIT B

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental activities:				
Instruction	$ 2,550,907	$ 449,549	$ 9,086	$ (2,092,272)
Student support services	13,594,730	313,038	9,902,097	(3,379,595)
Instructional staff support services	7,351,747	319,629	2,643,370	(4,388,748)
General administration	2,428,499	125	-	(2,428,374)
Business administration	1,000,472	373,789	-	(626,683)
Plant operations and maintenance	594,900	24,000	-	(570,900)
Central and other support services	1,585,996	458,099	225,497	(902,400)
Interest on long-term debt	170,673	-	-	(170,673)
Total governmental activities	$ 29,277,924	$ 1,938,229	$ 12,780,050	(14,559,645)
General revenues:				
Property taxes				6,762,068
State Foundation Aid				7,125,869
Juvenile Home				514,618
Local donations				7,452
Unrestricted investment earnings				56,816
Total general revenues				14,466,823
CHANGE IN NET ASSETS				(92,822)
NET ASSETS, BEGINNING OF YEAR				3,545,104
NET ASSETS, END OF YEAR				$ 3,452,282

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9 **EXHIBIT C**
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Nonmajor Governmental Funds	Total
ASSETS			
Cash	$ 430,714	$ -	$ 430,714
Investments	3,279,521	385,079	3,664,600
Receivables			
Due from other governments	2,496,826	9,511	2,506,337
Accounts (net of $11,672 allowance for uncollectible accounts)	99,992	-	99,992
Interest	4,636	-	4,636
Due from other funds	35,443	118,367	153,810
Inventories	88,502	-	88,502
Prepaid expenses	3,230	-	3,230
Restricted assets			
GO investments	4,249,498	-	4,249,498
TOTAL ASSETS	$ 10,688,362	$ 512,957	$ 11,201,319
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 1,320,710	$ 69,634	$ 1,390,344
Salaries and benefits payable	1,886,761	40,169	1,926,930
Due to other funds	118,367	35,443	153,810
GO warrants payable	4,230,000	-	4,230,000
GO accrued interest payable	63,450	-	63,450
Deferred revenue			
State and federal grants	177,766	-	177,766
Insurance claims incurred but not reported	311,565	-	311,565
Total liabilities	8,108,619	145,246	8,253,865
FUND BALANCES			
Reserved for			
Encumbrances	403,489	-	403,489
Inventories	88,502	-	88,502
Prepaid expenses	3,230	-	3,230
Insurance claims	409,412	-	409,412
Unreserved			
Undesignated	1,675,110	367,711	2,042,821
Total fund balances	2,579,743	367,711	2,947,454
TOTAL LIABILITIES AND FUND BALANCES	$ 10,688,362	$ 512,957	$ 11,201,319

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total governmental fund balances (page 14)	$	2,947,454
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the funds. The cost of assets is $9,812,248 and the accumulated depreciation is $4,453,500.		5,358,748
Long-term liabilities, including certificates of participation, compensated absences, accrued interest payable, and the site license agreement are not due and payable in the current period and therefore, are not reported in the funds.		(4,853,920)
Net assets of governmental activities (page 12)	$	3,452,282

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total
REVENUES			
Local sources	$ 8,782,126	$ 2,582	$ 8,784,708
State sources	7,428,646	514,618	7,943,264
Federal sources	12,448,294	8,836	12,457,130
Total revenues	28,659,066	526,036	29,185,102
EXPENDITURES			
Current			
Instruction	2,074,502	480,031	2,554,533
Student support services	13,646,068	-	13,646,068
Instructional staff support services	7,173,801	-	7,173,801
General administration	2,378,396	44,097	2,422,493
Business administration	997,908	-	997,908
Plant operations and maintenance	526,506	5,717	532,223
Central and other support services	1,632,323	-	1,632,323
Debt service	-	261,423	261,423
Total expenditures	28,429,504	791,268	29,220,772
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	229,562	(265,232)	(35,670)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	258,446	258,446
Operating transfers out	(258,446)	-	(258,446)
Total other financing sources (uses)	(258,446)	258,446	-
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES	(28,884)	(6,786)	(35,670)
FUND BALANCES, BEGINNING OF YEAR	2,608,627	374,497	2,983,124
FUND BALANCES, END OF YEAR	$ 2,579,743	$ 367,711	$ 2,947,454

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds (page 16)		$ (35,670)
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:		
Capital outlays	$ 346,352	
Depreciation expense	(502,615)	
Loss on dispositions	(20,328)	(176,591)
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.		90,000
Compensated absences and the site license agreement 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.		
Compensated absences	77,553	
Site license agreement	(48,864)	28,689
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Interest on long-term debt		750
Change in net assets of governmental activities (page 13)		$ (92,822)

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2004

Mississippi Bend Area Education Agency 9 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 22 school districts and private schools in a six-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

REPORTING ENTITY

For financial reporting purposes, Mississippi Bend Area Education Agency 9 has included all funds, organizations, 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 Mississippi Bend Area Education Agency 9 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.

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 asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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 fund:

> 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.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The Government-wide financial statements are reported using the economic resources measurement focus. The Government-wide 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.

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.

ASSETS, LIABILITIES, AND FUND EQUITY

Cash and Investments - Cash includes amounts in demand deposits and money market funds. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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, 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 sale or consumption.

Capital Assets - Capital assets, which include property and furniture and equipment, are reported in the governmental activities column in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. 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 the following thresholds and estimated useful lives in excess of two years.

Land	$ 2,500
Buildings	2,500
Furniture and equipment	2,500
Library books, videos, and DVD's	1

Property and furniture and equipment are depreciated using the straight-line method of depreciation and library books are depreciated using the composite method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Furniture and equipment	5
Library books, videos, and DVD's	10

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2004

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.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation and paid time off hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the statement of net assets representing the Agency's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

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.

This information is an integral part of the accompanying financial statements.

NOTE 1 - CASH AND INVESTMENTS

The Agency's deposits in banks 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 had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of $7,679,742 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

NOTE 2 - GENERAL OBLIGATION WARRANTS

The Agency has a general obligation warrant through Bankers Trust, a member of FDIC. The warrant is designed to provide funds to entities during periods of cash deficits. Bankers Trust maintains the accounts providing 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 warrant as of June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003	7/29/03	7/29/04	$4,249,498	$ -	$4,230,000	$ 63,450

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003	1.500%	0.40%

NOTE 3 - CAPITAL ASSETS

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

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 38,600	$ -	$ -	$ 38,600
Capital assets being depreciated:				
Buildings	4,957,939	18,493	-	4,976,432
Furniture and equipment	2,102,200	257,605	2,500	2,357,305
Library books, videos, and DVD's	2,572,943	70,254	203,286	2,439,911
Total assets being depreciated	9,633,082	346,352	205,786	9,773,648
Less accumulated depreciation for:				
Buildings	1,023,199	99,344	-	1,122,543
Furniture and equipment	1,596,280	152,628	2,500	1,746,408
Library books, videos, and DVD's	1,516,864	250,643	182,958	1,584,549
Total accumulated depreciation	4,136,343	502,615	185,458	4,453,500
Total capital assets, being depreciated, net	5,496,739	(156,263)	20,328	5,320,148
Governmental activities capital assets, net	$5,535,339	$ (156,263)	$ 20,328	$5,358,748

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

Governmental activities:	
Instruction	$ 3,215
Student support services	9,009
Instructional staff support services	354,417
General administration	15,139
Business administration	5,236
Plant operations and maintenance	99,344
Central and other support services	16,255
Total governmental activities depreciation expense	$ 502,615

NOTE 4 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Certificates of participation	$3,090,000	$ -	$ 90,000	$3,000,000	$ 105,000
Compensated absences	1,854,789	196,583	274,136	1,777,236	256,997
Site license agreement	-	48,864	-	48,864	48,864
Total	$4,944,789	$ 245,447	$ 364,136	$4,826,100	$ 410,861

Certificates of Participation

The Agency has sold certificates of participation for land, facilities and improvements for a total of $3,500,000. 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 4.20% to 5.80%. The following is a schedule by year of the future minimum payments required:

Year Ending June 30,	Principal	Interest	Total
2005	$ 105,000	$ 166,923	$ 271,923
2006	145,000	161,568	306,568
2007	165,000	154,100	319,100
2008	175,000	145,520	320,520
2009	185,000	136,245	321,245
Later years	2,225,000	671,682	2,896,682
Total	$3,000,000	$1,436,038	$4,436,038

Payments on the certificates of participation for the year ended June 30, 2004, including interest, totaled $261,422.

NOTE 5 - OPERATING LEASES

The Agency has leased various facilities to house satellite facilities. These leases have been classified as operating leases and accordingly, all rents are charged to expenditures as incurred. One lease will expire December 31, 2004. Other leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In all 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 Ending June 30,	Amount
2005	$ 8,175

Total rental expenditures for the year ended June 30, 2004 for all operating leases were $61,875.

NOTE 6 - 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 supplemental 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 salary and the Agency is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The Agency's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002, were $950,429, $932,485, and $822,290, respectively, equal to the required contributions for each year.

NOTE 7 - RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Litigation

The Agency is a defendant in several lawsuits. Outside council for the Agency has advised that insurance coverage is being afforded for the claims.

NOTE 7 - RISK MANAGEMENT (CONTINUED)

Self-funded insurance plans
The Agency has self-funded health and dental insurance plans. The Agency purchases commercial insurance to provide for aggregate stop-loss health coverage for 125% of the excess of estimated claims for the plan year that exceed $2,589,173, and specific stop-loss health insurance coverage for claims in excess of $70,000 for any one covered individual during the plan year.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. That reserve was $409,412 at June 30, 2004. Changes in the aggregate claims liability for the current year are as follows:

Balance, beginning of year	$ 63,876
Employee paid premiums	3,056,391
Claims paid	(2,333,142)
Fees	(16,148)
Return to fund balance	(50,000)
Balance, end of year	720,977
Claims incurred but not reported	311,565
Insurance claims reserve	$ 409,412

NOTE 8 - SUBSEQUENT EVENT

The Mississippi Bend Area Education Agency 9 rolled over their general obligation warrant on August 25, 2004, with an interest rate of 1.95%, and final payment due on August 25, 2005.

REQUIRED SUPPLEMENTAL INFORMATION

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	Actual	Budget		Final to Actual Variance - Favorable (Unfavorable)
		Original	Final	
REVENUES				
Local sources	$ 8,784,708	$ 9,027,573	$ 9,451,204	$ (666,496)
State sources	7,943,264	9,353,895	7,973,986	(30,722)
Federal sources	12,457,130	10,063,356	13,901,695	(1,444,565)
Total revenues	29,185,102	28,444,824	31,326,885	(2,141,783)
EXPENDITURES				
Current				
Instruction	2,554,533	1,294,468	2,324,578	(229,955)
Student support services	13,646,068	14,216,712	15,099,310	1,453,242
Instructional staff support services	7,173,801	7,858,236	8,991,616	1,817,815
General administration	2,422,493	3,469,914	277,256	(2,145,237)
Business administration	997,908	980,913	1,023,151	25,243
Plant operations and maintenance	532,223	594,097	600,177	67,954
Central and other support services	1,632,323	1,303,575	2,206,721	574,398
Debt service	261,423	261,423	261,423	-
Total expenditures	29,220,772	29,979,338	30,784,232	1,563,460
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(35,670)	(1,534,514)	542,653	(578,323)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	258,446	261,423	261,423	(2,977)
Operating transfers out	(258,446)	(261,423)	(2,250,390)	1,991,944
Total other financing sources (uses)	-	-	(1,988,967)	1,988,967
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES	(35,670)	(1,534,514)	(1,446,314)	1,410,644
FUND BALANCE, BEGINNING OF YEAR	2,983,124	2,309,260	3,006,593	(23,469)
FUND BALANCE, END OF YEAR	$ 2,947,454	$ 774,746	$ 1,560,279	$ 1,387,175

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION -
BUDGETARY REPORTING
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 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.

OTHER SUPPLEMENTAL INFORMATION

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue Juvenile Home	Capital Projects	Debt Service	Total
ASSETS				
Investments	$ -	$ 61,457	$ 323,622	$ 385,079
Receivables				
Due from other governments	9,511	-	-	9,511
Due from other funds	118,367	-	-	118,367
TOTAL ASSETS	$ 127,878	$ 61,457	$ 323,622	$ 512,957
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 69,634	$ -	$ -	$ 69,634
Salaries and benefits payable	40,169	-	-	40,169
Due to other funds	-	35,443	-	35,443
Total liabilities	109,803	35,443	-	145,246
FUND BALANCES				
Unreserved				
Undesignated	18,075	26,014	323,622	367,711
TOTAL LIABILITIES AND FUND BALANCES	$ 127,878	$ 61,457	$ 323,622	$ 512,957

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	Special Revenue Juvenile Home	Capital Projects	Debt Service	Total
REVENUES				
Local sources	$ 250	$ 371	$ 1,961	$ 2,582
State sources	514,618	-	-	514,618
Federal sources	8,836	-	-	8,836
Total revenues	523,704	371	1,961	526,036
EXPENDITURES				
Current				
Instruction	480,031	-	-	480,031
General administration	44,097	-	-	44,097
Plant operations and maintenance	-	5,717	-	5,717
Debt service	-	-	261,423	261,423
Total expenditures	524,128	5,717	261,423	791,268
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(424)	(5,346)	(259,462)	(265,232)
OTHER FINANCING SOURCES				
Operating transfers in	-	-	258,446	258,446
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER UNDER EXPENDITURES AND OTHER FINANCING USES	(424)	(5,346)	(1,016)	(6,786)
FUND BALANCES, BEGINNING OF YEAR	18,499	31,360	324,638	374,497
FUND BALANCES, END OF YEAR	$ 18,075	$ 26,014	$ 323,622	$ 367,711

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION - ALL GOVERNMENTAL FUND TYPES
For the Last Three Years

	Modified Accrual Basis		
	Years Ended June 30,		
	2004	2003	2002
REVENUES			
Local sources	$ 8,784,708	$ 8,692,035	$ 6,914,235
State sources	7,943,264	9,121,149	8,496,880
Federal sources	12,457,130	9,702,816	7,844,433
TOTAL REVENUES	$ 29,185,102	$ 27,516,000	$ 23,255,548
EXPENDITURES			
Instruction	$ 2,554,533	$ 959,093	$ 934,672
Student support services	13,646,068	13,370,223	12,429,333
Instructional staff support services	7,173,801	7,007,398	5,893,378
General administration	2,422,493	874,255	739,721
Business administration	997,908	491,082	1,070,619
Plant operations and maintenance	532,223	574,386	516,244
Central and other support services	1,632,323	3,933,550	2,960,261
Debt service	261,423	260,586	254,187
TOTAL EXPENDITURES	$ 29,220,772	$ 27,470,573	$ 24,798,415

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

GRANTOR/PROGRAM	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Education:			
Passed through State of Iowa, Department of Education:			
Special Education - Grants to States			
Miscellaneous IDEA - Para Education Training	84.027	3K76-09	$ 21,747
Miscellaneous IDEA - Middle School Assistive Tech	84.027	13521	998
Miscellaneous IDEA - Transition Improvement	84.027	2K79-09OTR	5,156
Miscellaneous IDEA - Success 4	84.027	03K75-09	125,138
Miscellaneous IDEA - Oral Narrative	84.027	45903	8,133
Miscellaneous IDEA - Oral Narrative	84.027	17404	4,000
Miscellaneous IDEA - Oral Narrative	84.027	54604	452
Part B - Section 611 LEA Flow through	84.027	4KB2-09	1,988,967
Part B - Section 611 Service to Handicapped	84.027	30409	6,367,227
Part B - Section 611 Parent Educator	84.027	37409	78,950
Part B - Section 611 Diagnostic Evaluations	84.027	3K71-09	14,763
			8,615,531
Part B - Section 619 Preschool Diagnostic	84.173	03619-09	317,527
Part C - Infant and Toddler	84.181	C03-09	186,023
Miscellaneous IDEA - IEP Initiative	84.323	3IEP-09	19,638
Vocational Education - Basic Grants to States			
Title II C - Andrew Consortium	84.048		42,179
Title II C - Bettendorf Consortium	84.048		81,201
Title II C - Camanche Consortium	84.048		21,686
Title II C - Western Consortium	84.048		50,386
			195,452
Enhancing Education Through Technology	84.318		159,428
DDL Gates Title I	84.348		75,714
Tech Prep Education			
Title III	84.243		80,789
English Language Learners	84.365		111,002
Statewide Reading Team	84.357		12,622
Total Indirect			9,773,726

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

GRANTOR/PROGRAM	CFDA Number	Grant Number	Expenditures
Direct:			
U.S. Department of Education:			
Safe and Drug Free Schools and Communities - National Programs			
Promising Practices	84.184	S184K010003	$ 5,513
Middle School Coordinator	84.184	S184K000010	83,313
Safe Schools Healthy Students	84.184	Q184L030145	934,201
Emergency Response Plans	84.184	Q184E030086	96,198
			1,119,225
Fund for the Improvement of Education			
Elementary Counseling Drug Free Schools	84.215	S215E020084	388,234
American History	84.215	S215X050045	189,588
American History 2	84.215	U215X030229	214,692
			792,514
Early Reading First			
Emerging Literacy Consortium	84.359	S359B031062	345,602
Total Direct			2,257,341
TOTAL			$ 12,031,067

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Mississippi Bend Area Education Agency 9 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.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

To the Board of Directors of
Mississippi Bend Area Education Agency 9
Bettendorf, Iowa

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mississippi Bend Area Education Agency 9 as of and for the year ended June 30, 2004, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated September 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mississippi Bend Area Education Agency 9'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mississippi Bend Area Education Agency 9's financial statements are free of misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about Mississippi Bend Area Education Agency 9's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Mississippi Bend Area Education Agency 9. 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. There were no prior year statutory comments.

Member of

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mississippi Bend Area Education Agency 9 and other parties to whom Mississippi Bend Area Education Agency 9 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 Mississippi Bend Area Education Agency 9 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.

Clifton Gunderson LLP

Clinton, Iowa
September 17, 2004

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

To The Board of Directors of
Mississippi Bend Area Education Agency 9
Bettendorf, Iowa

Compliance

We have audited the compliance of Mississippi Bend Area Education Agency 9 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 each of its major federal programs for the year ended June 30, 2004. Mississippi Bend Area Education Agency 9's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mississippi Bend Area Education Agency 9's management. Our responsibility is to express an opinion on Mississippi Bend Area Education Agency 9's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; 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 OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 Mississippi Bend Area Education Agency 9'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 Mississippi Bend Area Education Agency 9's compliance with those requirements.

In our opinion, Mississippi Bend Area Education Agency 9 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Mississippi Bend Area Education Agency 9 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 Mississippi Bend Area Education Agency 9'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.

Member of

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 caused by error or fraud 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. 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 citizens of Mississippi Bend Area Education Agency 9 and other parties to whom Mississippi Bend Area Education Agency 9 may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Clinton, Iowa
September 17, 2004

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified opinion

Internal control over financial reporting:

• Material weakness(es) identified?	____ yes	__x__ no	
• Reportable condition(s) identified that are not considered to be material weaknesses?	____ yes	__x__	none reported
Noncompliance material to financial statements noted?	____ yes	__x__ no	

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	____ yes	__x__ no	
• Reportable condition(s) identified that are not considered to be material weakness(es)?	____ yes	__x__	none reported

Type of auditor's report issued on compliance for major programs:
Unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? ____ yes __x__ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Cluster:	
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

Dollar threshold used to distinguish between type A and type B programs: $ 360,932

Auditee qualified as low-risk auditee? ____ yes __x__ no

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Part II: Financial Statement Findings:

Instances of Non-compliance:

No matters were noted.

Reportable Conditions:

No matters were noted.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Part III: Federal Award Findings and Questioned Costs:

Instances of Non-compliance:

No matters were noted.

Reportable conditions:

No matters were noted.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-04 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.

IV-B-04 Budget - Expenditures for the year ended June 30, 2004 did not exceed the amount budgeted.

IV-C-04 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-04 Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

IV-E-04 Business Transactions - No business transactions between the Agency and Agency officials or employees were noted.

IV-F-04 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.

IV-G-04 Board Minutes - No transactions requiring Board approval were noted which had not been approved.

IV-H-04 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.

IV-I-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2004

Comment Reference	Comment Title	Status

No matters were noted.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2004

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title Phone Number	Anticipated Date of Completion

There were no comments made regarding reportable conditions or noncompliance with federal awards.