MISSISSIPPI BEND
AREA EDUCATION AGENCY 9
Bettendorf, Iowa

FINANCIAL STATEMENTS
June 30, 2006

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MISSISSIPPI BEND AREA EDUCATION AGENCY 9

OFFICIALS

Board of Directors

After October, 2005 Election

Name	Title	Term Expires
David Swim	President	2006
Richard Kissack	Vice-President	2006
Robin Krueger	Member	2008
Dick Wold	Member	2008
William Koellner	Member	2008
Scott Saveraid	Member	2007
Tom Mielnik	Member	2007
Rex Masterson	Member	2007
Jeanita Harris	Member	2006

Before October, 2005 Election

Name	Title	Term Expires
William Koellner	President	2005
David Swim	Vice-President	2006
Scott Saveraid	Member	2007
Mary Rueter	Member	2007
Jeanita Harris	Member	2006
Richard Kissack	Member	2006
Ann Hart	Member	2005
Dick Wold	Member	2005
Jody Hawley	Member	2004
Tom Mielnik	Member	2004

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, 2006, 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, 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 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, 2006, 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 August 25, 2006, 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.

Offices in 15 states and Washington, DC

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The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 28 through 29 are not required parts of the basic financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain 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, 2005 (none of which are presented herein). An unqualified opinion for June 30, 2005, 2004 and 2003 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 basic 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
August 25, 2006

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

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, 2006. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $31,522,465 in fiscal year 2005 (FY05) to $32,090,056 in fiscal year 2006 (FY06), while General Fund expenditures increased from $30,117,092 in FY05 to $31,504,756 in FY06. This resulted in an increase to the Agency's General Fund balance from $3,715,024 in FY05 to $3,993,285 in FY06, a 7.5 percent increase from the prior year.

- The increase in General Fund revenues was attributable to an increase in state controlled funding and interest income in FY06. The increase in expenditures was due primarily to an increase in salaries and benefits.

- 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 2005-2006.

- Senate File 453 was enacted in the Spring of 2003, which temporarily reduced controlled funding for AEA's by 10 million dollars. AEA 9's portion of this was $1,009,065. This reduction continued in FY06.

- The Agency's self-insured medical insurance program continued to experience decreased claim costs. In an effort to offset continued increases in the claims reserve balance and to maintain the balance at $1,300,000 refunds of $558,000 in November and $566,092 in April were given to staff. The claims reserve balance at June 30, 2006 was $1,535,471.

- 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. This cut continued in FY06.

- On May 1, 2005, the Agency issued Certificates of Participation in the amount of $4,660,000. $1,500,000 of this issue will be for an addition and improvements at the Muscatine facility and renovations and a security system at the Bettendorf facility. $1,285,000 was spent in FY06. The balance of the issue will be used to retire the balance of the certificates of participation issued July 1, 1997.

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 2006 totaled approximately $4.33 million. This compared to approximately $4.43 million at the end of fiscal year 2005. The analysis that follows provides a summary of the Agency's net assets at June 30, 2006 for the governmental activities.

	Condensed Statement of Net Assets Governmental Activities	
	June 30, 2006	**June 30, 2005**
Current and other assets	$ 13,491,333	$ 18,388,433
Capital assets	6,638,280	5,474,083
Total assets	20,129,613	23,862,516
Long-term obligations	9,691,231	9,543,312
Other liabilities	6,111,440	9,891,180
Total liabilities	15,802,671	19,434,492
Net assets:		
Invested in capital assets, net of related debt	2,313,853	2,434,083
Restricted	3,147,586	3,375,682
Unrestricted	(1,134,497)	(1,381,741)
Total net assets	$ 4,326,942	$ 4,428,024

The Agency's combined net assets decreased by 2%, or approximately $101,000 from FY05.

The following analysis shows the changes in net assets for the year ended June 30, 2006.

	Changes in Net Assets Governmental Activities	
	June 30, 2006	June 30, 2005
Revenues:		
Program revenues:		
Charges for service	$ 1,808,168	$ 1,666,038
Operating grants and contributions	15,354,870	15,630,503
Total program revenues	17,163,038	17,296,541
General revenues:		
Property taxes	7,077,780	6,859,149
State Foundation Aid	7,593,133	7,298,611
Juvenile Home	459,812	525,043
Local donations	30	10
Unrestricted investment earnings	438,374	86,939
Total general revenues	15,569,129	14,769,752
Total revenues	32,732,167	32,066,293
Program expenses:		
Instruction	1,899,201	1,912,604
Student support service	17,038,445	15,211,869
Instructional staff support services	7,541,924	7,458,496
General administration	1,799,243	1,939,000
Business administration	1,663,347	1,723,792
Plant operation and maintenance	855,812	804,938
Central and other support services	1,695,357	1,729,318
Debt service	339,920	310,534
Total program expenses	32,833,249	31,090,551
Change in net assets	(101,082)	975,742
Net assets, beginning of year	4,428,024	3,452,282
Net assets, end of year	$ 4,326,942	$ 4,428,024

Operating grants and contributions from local, state and federal sources account for 93.1% of the total revenue. The Agency's expenses primarily relate to instruction and support services, which account for 80.6% of the total expenses.

GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were $32,732,167 and expenses were $32,833,249. The Agency continues to maintain current services offered with cuts in funding.

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 $7,424,233 below last year's ending fund balances of $8,556,369. The major reason for the decrease is due to the remodeling expenditures in FY06.

Governmental Fund Highlights

- The General Fund balance increased from $3,715,024 to $3,993,285. Encumbrance reserves decreased $107,363, inventories and prepaid expenses reserve decreased $18,506, insurance claims reserve decreased $24,874, and unreserved undesignated fund balances decreased $981,393.

- The Capital Projects Fund balance decreased due to the remodeling of the Muscatine and Bettendorf facilities in FY06. The Agency ended FY05 with a balance of $1,447,588. FY06 ended with a balance of $220,906.

- The Debt Service Fund decreased due to the payment of principle and interest in FY06. The Agency ended FY05 with a balance of $3,375,682. FY06 ended with a balance of $3,191,926.

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, 2006, the Agency had invested approximately $6,638,280 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers and audio-visual equipment. This is a net increase of approximately $1,164,000 from last year. This increase was primarily due to the current year additions exceeding the current year depreciation expense by approximately $1,175,000.

Mississippi Bend Area Education Agency 9 had depreciation expense of $574,264 in FY06 and total accumulated depreciation of $4,626,877 at June 30, 2006. More detailed information about capital assets is available in Note 3 to the financial statements.

Debt

At June 30, 2006, the Agency had $9,699,191 in long-term debt outstanding compared to $9,543,312 at June 30, 2005. 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. Enrollment history and projections is as follows:

Year	Number	Difference
2000	54,311	-1,029
2001	53,577	-734
2002	53,247	-330
2003	52,866	-381
2004	52,353	-513
2005	52,152	-201
2006	52,018 est.	-134
2007	51,784 est.	-234
2008	51,512 est.	-272
2009	51,266 est.	-246

- The State of Iowa made permanent the 7.5% reduction in AEA controlled funding that was imposed in the year ended June 30, 2002. 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 was offset by an increase in federal IDEA funds, cost containment of non-personnel expenditures, and unreserved fund balances. This cut will not be made in FY07.

- The 2.5% across the board cut in State funding imposed in FY04 will not be made in FY07. AEA 9's portion of the cut was $182,832.

- Due to the favorable balance in the self funded insurance claims fund, no increase in health and dental premiums will be made for FY07.

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

EXHIBIT A

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities
ASSETS	
Cash	$ 5,156,279
Investments	3,922,956
Receivables	
Due from other governments	1,675,377
Accounts (net of $11,672 allowance for uncollectible accounts)	190,241
Inventories	74,714
Prepaid expenses	39,065
Restricted general obligation assets	
Investments	2,432,701
Capital assets (net of accumulated depreciation)	6,638,280
Total assets	20,129,613
LIABILITIES	
Accounts payable	1,203,003
Accrued interest payable	44,340
Salaries and benefits payable	1,755,606
GO warrants payable	2,400,000
Deferred revenue	
State and federal grants	486,395
Insurance claims incurred but not reported	222,096
Long-term liabilities	
Portion due or payable within one year	
Certificates of participation	2,880,000
Vehicle loan	27,283
Compensated absences	185,103
Portion due or payable after one year	
Certificates of participation	4,415,000
Vehicle loan	92,744
Compensated absences	2,091,101
Total liabilities	15,802,671
NET ASSETS	
Invested in capital assets, net of related debt	2,313,853
Restricted for	
Debt service	3,147,586
Unrestricted	(1,134,497)
Total net assets	$ 4,326,942

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, 2006

EXHIBIT B

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS				
Governmental activities:				
Instruction	$ 1,899,201	$ 587,693	$ -	$ (1,311,508)
Student support services	17,038,445	168,285	12,354,447	(4,515,713)
Instructional staff support services	7,541,924	244,393	2,675,301	(4,622,230)
General administration	1,799,243	-	109,962	(1,689,281)
Business administration	1,663,347	648,676	18,671	(996,000)
Plant operations and maintenance	855,812	-	-	(855,812)
Central and other support services	1,695,357	159,121	196,489	(1,339,747)
Debt service	339,920	-	-	(339,920)
Total governmental activities	$ 32,833,249	$ 1,808,168	$ 15,354,870	(15,670,211)
General revenues:				
Property taxes				7,077,780
State Foundation Aid				7,593,133
Juvenile Home				459,812
Local donations				30
Unrestricted investment earnings				438,374
Total general revenues				15,569,129
CHANGE IN NET ASSETS				(101,082)
NET ASSETS, BEGINNING OF YEAR				4,428,024
NET ASSETS, END OF YEAR				$ 4,326,942

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
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

EXHIBIT C

	General	Debt Service	Nonmajor Governmental Funds	Total
ASSETS				
Cash	$ 1,969,252	$ 3,187,027	$ -	$ 5,156,279
Investments	3,922,956	-	-	3,922,956
Receivables				
Due from other governments	1,670,268	-	5,109	1,675,377
Accounts (net of $11,672 allowance for uncollectible accounts)	190,241	-	-	190,241
Due from other funds	-	4,899	267,147	272,046
Inventories	74,714	-	-	74,714
Prepaid expenses	39,065	-	-	39,065
Restricted general obligation assets				
Investments	2,432,701	-	-	2,432,701
TOTAL ASSETS	$ 10,299,197	$ 3,191,926	$ 272,256	$ 13,763,379
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 1,201,999	$ -	$ 1,004	$ 1,203,003
Salaries and benefits payable	1,723,376	-	32,230	1,755,606
Due to other funds	272,046	-	-	272,046
GO warrants payable	2,400,000	-	-	2,400,000
Deferred revenue				
State and federal grants	486,395	-	-	486,395
Insurance claims incurred but not reported	222,096	-	-	222,096
Total liabilities	6,305,912	-	33,234	6,339,146
FUND BALANCES				
Reserved for				
Encumbrances	150,513	-	-	150,513
Inventories	74,714	-	-	74,714
Prepaid expenses	39,065	-	-	39,065
Insurance claims	1,535,471	-	-	1,535,471
Unreserved				
Undesignated	2,193,522	3,191,926	239,022	5,624,470
Total fund balances	3,993,285	3,191,926	239,022	7,424,233
TOTAL LIABILITIES AND FUND BALANCES	$ 10,299,197	$ 3,191,926	$ 272,256	$ 13,763,379

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, 2006

Total governmental fund balances (page 14)	$ 7,424,233
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 $11,265,157 and the accumulated depreciation is $4,626,877.	6,638,280
Long-term liabilities, including certificates of participation, compensated absences, and accrued interest payable are not due and payable in the current period and therefore, are not reported in the funds.	(9,735,571)
Net assets of governmental activities (page 12)	$ 4,326,942

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, 2006

	General	Debt Service	Nonmajor Governmental Funds	Total
REVENUES				
Local sources	$ 9,380,325	$ 123,901	$ 58,398	$ 9,562,624
State sources	7,844,263	-	459,812	8,304,075
Federal sources	14,865,468	-	-	14,865,468
Total revenues	32,090,056	123,901	518,210	32,732,167
EXPENDITURES				
Current				
Instruction	1,456,423	-	411,163	1,867,586
Student support services	16,804,484	-	-	16,804,484
Instructional staff support services	7,592,516	-	-	7,592,516
General administration	1,713,499	-	48,608	1,762,107
Business administration	1,638,475	-	-	1,638,475
Plant operations and maintenance	654,248	-	1,285,080	1,939,328
Central and other support services	1,645,111	-	-	1,645,111
Debt service	-	614,696	-	614,696
Total expenditures	31,504,756	614,696	1,744,851	33,864,303
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	585,300	(490,795)	(1,226,641)	(1,132,136)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	307,039	-	307,039
Operating transfers out	(307,039)	-	-	(307,039)
Total other financing sources (uses)	(307,039)	307,039	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	278,261	(183,756)	(1,226,641)	(1,132,136)
FUND BALANCES, BEGINNING OF YEAR	3,715,024	3,375,682	1,465,663	8,556,369
FUND BALANCES, END OF YEAR	$ 3,993,285	$ 3,191,926	$ 239,022	$ 7,424,233

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, 2006

Net change in fund balances - total governmental funds (page 16)		$ (1,132,136)
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 and unrecovered book costs in the current year as follows:		
Capital outlays	$ 1,748,965	
Loss on disposals	(10,504)	
Depreciation expense	(574,264)	1,164,197
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.		284,973
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.		
Compensated absences		(432,892)
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		14,776
Change in net assets of governmental activities (page 13)		$ (101,082)

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, 2006

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 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 Debt Service Fund is used to account for the accumulation of resources for payment of principal and interest on certificates of participation.

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

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, 2006. 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, 2006 were entirely covered by Federal depository insurance, or by the State sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against 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 Diversified Portfolio which are valued at an amortized cost of $6,355,657 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust is rated AAA by Moody's Investors Service.

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, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Restricted Assets	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006	6/21/06	6/21/07	$2,432,701	$ -	$2,400,000	$ -

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 Restricted Assets
2006	4.500%	4.62%

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006 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	5,044,976	1,200,042	-	6,245,018
Furniture and equipment	2,592,404	126,616	-	2,719,020
Library books, videos, and DVD's	2,437,322	422,307	597,110	2,262,519
Total assets being depreciated	10,074,702	1,748,965	597,110	11,226,557
Less accumulated depreciation for:				
Buildings	1,222,757	112,900	-	1,335,657
Furniture and equipment	1,934,827	232,036	-	2,166,863
Library books, videos, and DVD's	1,481,635	229,328	586,606	1,124,357
Total accumulated depreciation	4,639,219	574,264	586,606	4,626,877
Total capital assets, being depreciated, net	5,435,483	1,174,701	10,504	6,599,680
Governmental activities capital assets, net	$5,474,083	$1,174,701	$ 10,504	$6,638,280

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

Governmental activities:	
Instruction	$ 26,200
Student support services	15,175
Instructional staff support services	370,077
General administration	14,194
Business administration	3,540
Plant operations and maintenance	116,250
Central and other support services	28,828
Total governmental activities depreciation expense	$ 574,264

NOTE 4 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Certificates of participation	$7,555,000	$ -	$ 260,000	$7,295,000	$2,880,000
Vehicle loan	145,000	-	24,973	120,027	27,283
Compensated absences	1,843,312	572,655	139,763	2,276,204	185,103
Total	$9,543,312	$ 572,655	$ 424,736	$9,691,231	$3,092,386

Certificates of Participation

On July 1, 1997, the Agency 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
2007	$2,750,000	$ 154,100	$2,904,100

On May 1, 2005, the Agency issued $4,660,000 of Refunding Certificates of Participation, Series 2005A, with interest rates ranging from 3.60% to 4.45%, for various project costs and a crossover refunding of the Series 1997 Certificates of Participation issued July 1, 1997. The Agency entered into an escrow agreement whereby a portion of the proceeds of the refunding certificates of participation along with additional cash were placed in an escrow account for the purpose of paying the principal and interest on the refunded certificates of participation when they are subject to optional redemption in whole or in part on May 1, 2007. $1,500,000 of the proceeds were placed into a construction fund to pay for various project costs. The transactions, balances and liabilities of the escrow account are recorded by the Agency since the refunded debt is not considered extinguished. Annual debt service requirements to maturity of the refunding certificates of participation are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	$ 130,000	$ 188,989	$ 318,989
2008	135,000	184,114	319,114
2009	140,000	179,051	319,051
2010	145,000	173,801	318,801
2011	150,000	168,364	318,364
2012-2016	935,000	748,266	1,683,266
2017-2021	1,295,000	526,160	1,821,160
2022-2025	1,615,000	206,775	1,821,775
Total	$4,545,000	$2,375,520	$6,920,520

NOTE 4 - CHANGES IN LONG-TERM LIABILITIES (CONTINUED)

The advance refunding increased total debt service payments over the next 20 years by over $738,000. This results in an economic loss (difference between the present values of the debt service payments on the old and new debt) of $33,425.

Vehicle Loan
On April 8, 2005, the Agency entered into a note payable with a bank with semi-annual payments of $17,013 including principal and interest at 5.95% per year. Annual debt service requirements to maturity of the vehicle loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	$ 27,283	$ 6,742	$ 34,025
2008	28,931	5,094	34,025
2009	30,678	3,347	34,025
2010	33,135	1,495	34,630
Total	$ 120,027	$ 16,678	$ 136,705

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 expired December 31, 2004 and was renewed. 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, 2006.

Year Ending June 30,	Amount
2007	$ 18,000
2008	18,000
2009	9,000
Total	$ 45,000

Total rental expenditures for the year ended June 30, 2006 for all operating leases were $65,392.

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, 2006, 2005, and 2004, were $1,091,267, $1,013,482, and $950,429, 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.

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 $2,190,934, 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 $1,535,471 at June 30, 2006. Changes in the aggregate claims liability for the current year are as follows:

Balance, beginning of year	$1,915,810
Employee paid premiums	1,978,824
Claims paid	(2,071,752)
Fees	(15,315)
Return to fund balance	(50,000)
Balance, end of year	1,757,567
Claims incurred but not reported	222,096
Insurance claims reserve	$1,535,471

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

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, 2006

	Actual	Budget Original	Budget Final	Final to Actual Variance - Favorable (Unfavorable)
REVENUES				
Local sources	$ 9,562,624	$ 9,771,706	$ 9,467,457	$ 95,167
State sources	8,304,075	8,679,226	8,262,379	41,696
Federal sources	14,865,468	16,179,994	16,202,328	(1,336,860)
Total revenues	32,732,167	34,630,926	33,932,164	(1,199,997)
EXPENDITURES				
Current				
Instruction	1,867,586	2,140,547	2,109,714	242,128
Student support services	16,804,484	17,225,979	17,167,119	362,635
Instructional staff support services	7,592,516	9,385,718	8,961,522	1,369,006
General administration	1,762,107	2,257,324	1,892,746	130,639
Business administration	1,638,475	2,134,169	1,844,515	206,040
Plant operations and maintenance	1,939,328	2,147,565	2,122,534	183,206
Central and other support services	1,645,111	580,631	2,095,128	450,017
Debt service	614,696	282,423	470,000	(144,696)
Total expenditures	33,864,303	36,154,356	36,663,278	2,798,975
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,132,136)	(1,523,430)	(2,731,114)	1,598,978
OTHER FINANCING SOURCES (USES)				
Operating transfers in	307,039	282,423	296,927	10,112
Operating transfers out	(307,039)	(282,423)	(296,927)	(10,112)
Total other financing sources (uses)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,132,136)	(1,523,430)	(2,731,114)	1,598,978
FUND BALANCE, BEGINNING OF YEAR	8,556,369	8,556,369	8,556,369	-
FUND BALANCE, END OF YEAR	$ 7,424,233	$ 7,032,939	$ 5,825,255	$ 1,598,978

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, 2006

This budgetary comparison is presented as Required Supplemental Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

The Agency's Board of Directors annually prepares a budget on a basis consistent with accounting principles generally accepted in the United States of America. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure/expense level, not by fund. 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.

During the year ended June 30, 2006, expenditures in the debt service function exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue Juvenile Home	Capital Projects	Total
ASSETS			
Receivables			
Due from other governments	$ 5,109	$ -	$ 5,109
Due from other funds	46,241	220,906	267,147
TOTAL ASSETS	$ 51,350	$ 220,906	$ 272,256
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 1,004	$ -	$ 1,004
Salaries and benefits payable	32,230	-	32,230
Total liabilities	33,234	-	33,234
FUND BALANCES			
Unreserved			
Undesignated	18,116	220,906	239,022
TOTAL LIABILITIES AND FUND BALANCES	$ 51,350	$ 220,906	$ 272,256

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	Special Revenue Juvenile Home	Capital Projects	Total
REVENUES			
Local sources	$ -	$ 58,398	$ 58,398
State sources	459,812	-	459,812
Total revenues	459,812	58,398	518,210
EXPENDITURES			
Current			
Instruction	411,163	-	411,163
General administration	48,608	-	48,608
Plant operations and maintenance	-	1,285,080	1,285,080
Total expenditures	459,771	1,285,080	1,744,851
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	41	(1,226,682)	(1,226,641)
FUND BALANCES, BEGINNING OF YEAR	18,075	1,447,588	1,465,663
FUND BALANCES, END OF YEAR	$ 18,116	$ 220,906	$ 239,022

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,		
	2006	2005	2004
REVENUES			
Local sources	$ 9,562,624	$ 8,943,963	$ 8,784,708
State sources	8,304,075	8,062,739	7,943,264
Federal sources	14,865,468	15,059,591	12,457,130
TOTAL REVENUES	$ 32,732,167	$ 32,066,293	$ 29,185,102
EXPENDITURES			
Instruction	$ 1,867,586	$ 2,013,323	$ 2,554,533
Student support services	16,804,484	15,193,130	13,646,068
Instructional staff support services	7,592,516	7,555,648	7,173,801
General administration	1,762,107	1,920,696	2,422,493
Business administration	1,638,475	1,716,110	997,908
Plant operations and maintenance	1,939,328	768,273	532,223
Central and other support services	1,645,111	1,710,960	1,632,323
Debt service	614,696	384,238	261,423
TOTAL EXPENDITURES	$ 33,864,303	$ 31,262,378	$ 29,220,772

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

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	5K76-09	$ 22,009
Miscellaneous IDEA - Instructional Strategies	84.027	5K791DM-09	73,471
Miscellaneous IDEA - Middle School IPAT	84.027		938
Miscellaneous IDEA - Success 4	84.027	5K60-09	18,000
Miscellaneous IDEA - Oral Narrative	84.027	27605	1,794
Miscellaneous IDEA - Oral Narrative	84.027	16006	4,000
Miscellaneous IDEA - IEP Training	84.027	5K77-09	26,250
Part B - Section 611 LEA Flow through	84.027	50609	2,753,476
Part B - Section 611 Service to Handicapped	84.027	50609	7,312,995
Part B - Section 611 Parent Educator	84.027	57409	105,184
Part B - Section 611 Diagnostic Evaluations	84.027	5K71-09	27,327
			10,345,444
Part B - Section 619 Preschool Diagnostic	84.173	05619-09	315,098
Part C - Infant and Toddler	84.181	C05-09	244,658
Miscellaneous IDEA - SIG Early Childhood	84.323	G6P13-9	1,910
Miscellaneous IDEA - SIG Early Childhood	84.323	G5P13-9	1,598
Miscellaneous IDEA - Every Child Reads	84.323	G5K27-9	3,650
			7,158
Vocational Education - Basic Grants to States			
Title II C - Andrew Consortium	84.048		39,993
Title II C - Bettendorf Consortium	84.048		71,166
Title II C - Camanche Consortium	84.048		21,312
Title II C - Western Consortium	84.048		46,779
			179,250
ESEPT	84.318		17,380
Enhancing Education Through Technology	84.318		26,820
			44,200
Tech Prep Education			
Title III	84.243		76,175
English Language Learners	84.365		168,540
Statewide Reading Team	84.357		21,800
Total Indirect			11,402,323

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

GRANTOR/PROGRAM	CFDA Number	Grant Number	Expenditures
Direct:			
U.S. Department of Education:			
Safe and Drug Free Schools and Communities - National Programs			
Mentoring	84.184	Q184B050065	$ 109,890
Middle School Coordinator	84.184	S184K010003	6,296
Safe Schools Healthy Students	84.184	Q184L030145	1,188,162
Emergency Response Plans	84.184	Q184E030086	80,361
			1,384,709
Fund for the Improvement of Education			
Elementary Counseling Drug Free Schools	84.215	S215E020084	12,963
Elementary Counseling Drug Free Schools	54.215	Q215E040502	479,471
American History	84.215	S215X050045	139,537
American History 2	84.215	U215X030229	330,184
			962,155
Early Reading First			
Emerging Literacy Consortium	84.359	S359B031062	749,679
Total Direct			3,096,543
TOTAL			$ 14,498,866

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 on 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 accompanying 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, 2006, which collectively comprise the Agency's basic financial statements listed in the table of contents, and have issued our report thereon dated August 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 opinions 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, 2006 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.

Offices in 15 states and Washington, DC

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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. 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
August 25, 2006

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 in Accordance with OMB Circular A-133

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, 2006. Mississippi Bend Area Education Agency 9's major federal programs are identified in Section I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements 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, 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, 2006.

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 grant agreements 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.

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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 grant agreements 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. Our consideration of the internal control over compliance 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 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. This report is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Clinton, Iowa
August 25, 2006

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

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
84.184	Safe and Drug Free Schools and Communities - National Programs
84.215	Fund for the Improvement of Education

Dollar threshold used to distinguish between type A and type B programs: $ 434,966

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

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

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, 2006

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, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Budget - Expenditures for the year ended June 30, 2006 exceeded the amount budgeted in the debt service function.

Recommendation - The budget should have been amended before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

IV-B-06 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-C-06 Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

IV-D-06 Business Transactions - No business transactions between the Agency and Agency officials or employees were noted.

IV-E-06 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-F-06 Board Minutes - No transactions requiring Board approval were noted which had not been approved.

IV-G-06 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-H-06 Certified Annual Report - The Certified Annual Report was certified with the Department of Education timely.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2006

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, 2006

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.