



MISSISSIPPI BEND AREA EDUCATION AGENCY 9
Bettendorf, Iowa

FINANCIAL STATEMENTS
June 30, 2007



TABLE OF CONTENTS

	PAGE
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	12

Exhibit

Government-wide Financial Statements:	
Statement of Net Assets.....	A 13
Statement of Activities	B 14
Governmental Fund Financial Statements:	
Balance Sheet	C 15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets.....	D 16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	E 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities ..	F 18
Notes to Financial Statements.....	19
REQUIRED SUPPLEMENTAL INFORMATION	29
Statement of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds	30
Note to Required Supplemental Information - Budgetary Reporting	31
OTHER SUPPLEMENTAL INFORMATION	32

Schedule

Nonmajor Governmental Funds:	
Combining Balance Sheet.....	1 33
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 34
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	3 35
Schedule of Expenditures of Federal Awards	4 36

TABLE OF CONTENTS

(Continued)

	PAGE
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	38
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	40
Schedule of Findings and Questioned Costs	42
Summary Schedule of Prior Federal Audit Findings.....	46
Corrective Action Plan for Federal Audit Findings.....	47

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9
OFFICIALS**

Board of Directors

After October, 2006 Election

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Swim	President	2009
Richard Kissack	Vice-President	2009
Robin Krueger	Member	2008
Dick Wold	Member	2008
William Koellner	Member	2008
Scott Saveraid	Member	2007
Jody Hawley	Member	2007
Rex Masterson	Member	2007
Jeanita Harris	Member	2009

Before October, 2006 Election

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Swim	President	2006
Richard Kissack	Vice-President	2006
Scott Saveraid	Member	2007
Rex Masterson	Member	2007
Jeanita Harris	Member	2006
William Koellner	Member	2008
Robin Krueger	Member	2008
Dick Wold	Member	2008
Tom Mielnik	Member	2004

Agency

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

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, 2007, 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, 2007, 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 February 8, 2008, 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.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 30 through 31 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, 2006 (none of which are presented herein). An unqualified opinion for June 30, 2006, 2005 and 2004 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 Henderson LLP

Clinton, Iowa
February 8, 2008

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

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, 2007. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$32,090,056 in fiscal year 2006 (FY06) to \$31,286,222 in fiscal year 2007 (FY07), while General Fund expenditures decreased from \$31,504,756 in FY06 to \$31,132,504 in FY07. This resulted in a decrease the Agency's General Fund balance from \$3,993,285 in FY06 to \$3,755,129 in FY07, a 6.0 percent decrease from the prior year.
- The decrease in General Fund revenues was attributable to an increase in state controlled funding and interest income and a decrease in federal grants in FY07. The decrease in expenditures was due primarily to an increase in salaries and benefits and a decrease in federal 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 2006-2007.
- 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 was reduced to \$812,602 in FY07.
- 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 \$1,400,000 a refund of \$576,632 in October was given to staff. The claims reserve balance at 06/30/07 was \$1,526,533.
- 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 was eliminated in FY07.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

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.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

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.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

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 2007 totaled approximately \$4.17 million. This compared to approximately \$4.33 million at the end of fiscal year 2006. The analysis that follows provides a summary of the Agency's net assets at June 30, 2007 for the governmental activities.

Condensed Statement of Net Assets		
Governmental Activities		
	June 30, 2007	June 30, 2006
Current and other assets	\$ 7,642,114	\$ 13,491,333
Capital assets	6,784,744	6,638,280
Total assets	14,426,858	20,129,613
Long-term obligations	6,872,044	9,691,231
Other liabilities	3,384,643	6,111,440
Total liabilities	10,256,687	15,802,671
Net assets:		
Invested in capital assets, net of related debt	2,277,000	2,313,853
Restricted	450,877	3,147,586
Unrestricted	1,442,294	(1,134,497)
Total net assets	\$ 4,170,171	\$ 4,326,942

The Agency's combined net assets decreased by 4%, or approximately \$157,000 from FY06.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

The following analysis shows the changes in net assets for the year ended June 30, 2007.

	Changes in Net Assets Governmental Activities	
	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Revenues:		
Program revenues:		
Charges for service	\$ 2,180,792	\$ 1,808,168
Operating grants and contributions	<u>13,083,814</u>	<u>15,354,870</u>
Total program revenues	<u>15,264,606</u>	<u>17,163,038</u>
General revenues:		
Property taxes	7,304,238	7,077,780
State Foundation Aid	8,413,495	7,593,133
Juvenile Home	486,562	459,812
Local donations	8,250	30
Unrestricted investment earnings	<u>427,889</u>	<u>438,374</u>
Total general revenues	<u>16,640,434</u>	<u>15,569,129</u>
Total revenues	<u>31,905,040</u>	<u>32,732,167</u>
Program expenses:		
Instruction	2,240,167	1,899,201
Student support services	16,289,433	17,038,445
Instructional staff support services	6,876,336	7,541,924
General administration	1,587,172	1,799,243
Business administration	1,679,505	1,663,347
Plant operation and maintenance	820,366	855,812
Central and other support services	2,231,646	1,695,357
Debt service	<u>337,186</u>	<u>339,920</u>
Total program expenses	<u>32,061,811</u>	<u>32,833,249</u>
Increase (decrease) in net assets	(156,771)	(101,082)
Net assets, beginning of year	<u>4,326,942</u>	<u>4,428,024</u>
Net assets, end of year	<u>\$ 4,170,171</u>	<u>\$ 4,326,942</u>

Operating grants and contributions from local, state and federal sources account for 91.8% of the total revenue. The Agency's expenses primarily relate to instruction and support services, which account for 79.2% of the total expenses.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$31,905,040 and expenses were \$32,061,811. 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 \$4,288,157 below last year's ending fund balances of \$7,424,233. The major reason for the decrease is due to the paying off of the 1997 Certificates of Participation.

Governmental Fund Highlights

- The General Fund balance decreased from \$3,993,285 to \$3,755,129. Encumbrance reserves increased \$89,409, inventory and prepaid expenses reserve increased \$2,267, insurance claims reserve decreased \$10,580, and unreserved undesignated fund balances decreased \$319,252.
- The Capital Projects Fund balance decreased due to the remodeling of the Muscatine and Bettendorf facilities in FY07. The Agency ended FY06 with a balance of \$220,906. FY07 ended with a balance of \$41,216.
- The Debt Service Fund decreased due to the payment of principal and interest in FY07.
- The Agency ended FY06 with a balance of \$3,191,926. FY07 ended with a balance of \$481,563.

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.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the Agency had invested approximately \$6,784,744 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 \$146,000 from last year. This increase was primarily due to the current year additions exceeding the current year depreciation.

Mississippi Bend Area Education Agency 9 had depreciation expense of \$574,237 in FY07 and total accumulated depreciation of \$4,610,420 at June 30, 2007. More detailed information about capital assets is available in Note 3 to the financial statements.

Debt

At June 30, 2007, the Agency had \$6,872,044 in long-term debt outstanding compared to \$9,691,231 at June 30, 2006. 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:

<u>Year</u>	<u>Number</u>	<u>Difference</u>
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	52,861	-291
2007	51,784 est.	-77
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 6/30/02. This is a permanent reduction of \$767,782 from the funds generated by the controlled funding formula.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

- 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 was reduced to \$816,602 in FY07. The cut will be further reduced to \$533,272 in FY08.
- In the spring of 2007 the State of Iowa passed Senate File 277 which enhanced the Teacher Quality Program. AEA 9 will receive \$704,555 for additional teacher compensation and \$102,796 for additional staff development in FY08.
- Due to the favorable balance in the self-funded insurance claims fund, no increase in health and dental premiums will be made for FY08.

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, 2007

	Governmental Activities
ASSETS	
Cash	\$ 117,284
Investments	4,760,370
Receivables	
Due from other governments	2,154,638
Accounts (net of \$11,672 allowance for uncollectible accounts)	450,358
Inventories	77,142
Prepaid expenses	38,904
Restricted general obligation assets	
Investments	43,418
Capital assets (net of accumulated depreciation)	<u>6,784,744</u>
Total assets	<u>14,426,858</u>
LIABILITIES	
Accounts payable	795,571
Accrued interest payable	30,686
Salaries and benefits payable	1,839,240
Deferred revenue	
State and federal grants	459,311
Insurance claims incurred but not reported	259,835
Long-term liabilities	
Portion due or payable within one year	
Certificates of participation	135,000
Vehicle loan	28,931
Compensated absences	236,999
Portion due or payable after one year	
Certificates of participation	4,280,000
Vehicle loan	63,813
Compensated absences	<u>2,127,301</u>
Total liabilities	<u>10,256,687</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,277,000
Restricted for	
Debt service	450,877
Unrestricted	<u>1,442,294</u>
Total net assets	<u>\$ 4,170,171</u>

The accompanying notes are an integral part of the financial statements.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Revenue</u>
FUNCTIONS/PROGRAMS		<u>Service</u>	<u>and Contributions</u>	<u>and Changes</u>
				<u>in Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction	\$ 2,240,167	\$ 717,024	\$ 3,653	\$ (1,519,490)
Student support services	16,289,433	220,989	11,458,103	(4,610,341)
Instructional staff support services	6,876,336	491,919	1,374,820	(5,009,597)
General administration	1,587,172	26,000	5,184	(1,555,988)
Business administration	1,679,505	584,651	45,618	(1,049,236)
Plant operations and maintenance	820,366	-	-	(820,366)
Central and other support services	2,231,646	140,209	196,436	(1,895,001)
Debt service	337,186	-	-	(337,186)
	<u>\$ 32,061,811</u>	<u>\$ 2,180,792</u>	<u>\$ 13,083,814</u>	<u>(16,797,205)</u>
Total governmental activities				
General revenues:				
Property taxes				7,304,238
State Foundation Aid				8,413,495
Juvenile Home				486,562
Local donations				8,250
Unrestricted investment earnings				427,889
				<u>16,640,434</u>
Total general revenues				
CHANGE IN NET ASSETS				(156,771)
NET ASSETS, BEGINNING OF YEAR				<u>4,326,942</u>
NET ASSETS, END OF YEAR				<u>\$ 4,170,171</u>

The accompanying notes are an integral part of the financial statements.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash	\$ 117,284	\$ -	\$ -	\$ 117,284
Investments	4,283,706	476,664	-	4,760,370
Receivables				
Due from other governments	2,145,284	-	9,354	2,154,638
Accounts (net of \$11,672 allowance for uncollectible accounts)	450,358	-	-	450,358
Due from other funds	-	4,899	74,496	79,395
Inventories	77,142	-	-	77,142
Prepaid expenses	38,904	-	-	38,904
Restricted general obligation assets				
Investments	43,418	-	-	43,418
TOTAL ASSETS	<u>\$ 7,156,096</u>	<u>\$ 481,563</u>	<u>\$ 83,850</u>	<u>\$ 7,721,509</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 795,571	\$ -	\$ -	\$ 795,571
Salaries and benefits payable	1,806,855	-	32,385	1,839,240
Due to other funds	79,395	-	-	79,395
Deferred revenue				
State and federal grants	459,311	-	-	459,311
Insurance claims incurred but not reported	259,835	-	-	259,835
Total liabilities	<u>3,400,967</u>	<u>-</u>	<u>32,385</u>	<u>3,433,352</u>
FUND BALANCES				
Reserved for				
Encumbrances	239,922	-	-	239,922
Inventories	77,142	-	-	77,142
Prepaid expenses	38,904	-	-	38,904
Insurance claims	1,524,891	-	-	1,524,891
Unreserved				
Undesignated	1,874,270	481,563	51,465	2,407,298
Total fund balances	<u>3,755,129</u>	<u>481,563</u>	<u>51,465</u>	<u>4,288,157</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,156,096</u>	<u>\$ 481,563</u>	<u>\$ 83,850</u>	<u>\$ 7,721,509</u>

The accompanying notes are an integral part of the financial statements.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2007**

Total governmental fund balances (page 15)	\$ 4,288,157
--	--------------

***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 \$11,395,164 and the accumulated depreciation is \$4,610,420.	6,784,744
--	-----------

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.	<u>(6,902,730)</u>
--	--------------------

Net assets of governmental activities (page 13)	<u>\$ 4,170,171</u>
--	----------------------------

The accompanying notes are an integral part of the financial statements.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
REVENUES				
Local sources	\$ 10,075,256	\$ 128,603	\$ -	\$ 10,203,859
State sources	8,706,314	-	486,562	9,192,876
Federal sources	<u>12,504,652</u>	<u>-</u>	<u>3,653</u>	<u>12,508,305</u>
Total revenues	<u>31,286,222</u>	<u>128,603</u>	<u>490,215</u>	<u>31,905,040</u>
EXPENDITURES				
Current				
Instruction	1,756,370	-	451,483	2,207,853
Student support services	16,246,964	-	-	16,246,964
Instructional staff support services	7,074,119	-	-	7,074,119
General administration	1,522,434	-	46,599	1,569,033
Business administration	1,671,336	-	-	1,671,336
Plant operations and maintenance	652,223	-	179,690	831,913
Central and other support services	2,209,058	-	-	2,209,058
Debt service	<u>-</u>	<u>3,230,840</u>	<u>-</u>	<u>3,230,840</u>
Total expenditures	<u>31,132,504</u>	<u>3,230,840</u>	<u>677,772</u>	<u>35,041,116</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>153,718</u>	<u>(3,102,237)</u>	<u>(187,557)</u>	<u>(3,136,076)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	391,874	-	391,874
Operating transfers out	<u>(391,874)</u>	<u>-</u>	<u>-</u>	<u>(391,874)</u>
Total other financing sources (uses)	<u>(391,874)</u>	<u>391,874</u>	<u>-</u>	<u>-</u>
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES	<u>(238,156)</u>	<u>(2,710,363)</u>	<u>(187,557)</u>	<u>(3,136,076)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>3,993,285</u>	<u>3,191,926</u>	<u>239,022</u>	<u>7,424,233</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,755,129</u>	<u>\$ 481,563</u>	<u>\$ 51,465</u>	<u>\$ 4,288,157</u>

The accompanying notes are an integral part of the 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, 2007

Net change in fund balances - total governmental funds
 (page 17) \$ (3,136,076)

***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	\$ 749,531	
Loss on disposals	(28,830)	
Depreciation expense	<u>(574,237)</u>	146,464

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. 2,907,283

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 (88,096)

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 13,654

Change in net assets of governmental activities
(page 14)

\$ (156,771)

The accompanying notes are an integral part of the financial statements.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2007. 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.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 - CASH AND INVESTMENTS

The Agency's deposits in banks at June 30, 2007 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 \$4,327,124 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.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 is as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 38,600	\$ -	\$ -	\$ 38,600
Capital assets being depreciated:				
Buildings	6,245,018	65,512	-	6,310,530
Furniture and equipment	2,719,020	97,507	-	2,816,527
Library books, videos, and DVD's	<u>2,262,519</u>	<u>586,512</u>	<u>619,524</u>	<u>2,229,507</u>
Total assets being depreciated	<u>11,226,557</u>	<u>749,531</u>	<u>619,524</u>	<u>11,356,564</u>
Less accumulated depreciation for:				
Buildings	1,335,657	125,556	-	1,461,213
Furniture and equipment	2,166,863	224,078	-	2,390,941
Library books, videos, and DVD's	<u>1,124,357</u>	<u>224,603</u>	<u>590,694</u>	<u>758,266</u>
Total accumulated depreciation	<u>4,626,877</u>	<u>574,237</u>	<u>590,694</u>	<u>4,610,420</u>
Total capital assets, being depreciated, net	<u>6,599,680</u>	<u>175,294</u>	<u>28,830</u>	<u>6,746,144</u>
Governmental activities capital assets, net	<u>\$6,638,280</u>	<u>\$ 175,294</u>	<u>\$ 28,830</u>	<u>\$6,784,744</u>

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

Governmental activities:	
Instruction	\$ 26,200
Student support services	15,114
Instructional staff support services	359,851
General administration	13,794
Business administration	3,540
Plant operations and maintenance	133,030
Central and other support services	<u>22,708</u>
Total governmental activities depreciation expense	<u>\$ 574,237</u>

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, End of Year</u>	<u>Due Within One Year</u>
Certificates					
of participation	\$7,295,000	\$ -	\$2,880,000	\$4,415,000	\$ 135,000
Vehicle loan	120,027	-	27,283	92,744	28,931
Compensated absences	<u>2,276,204</u>	<u>435,612</u>	<u>347,516</u>	<u>2,364,300</u>	<u>236,999</u>
Total	<u>\$9,691,231</u>	<u>\$ 435,612</u>	<u>\$3,254,799</u>	<u>\$6,872,044</u>	<u>\$ 400,930</u>

Certificates of Participation

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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	155,000	162,551	317,551
2013-2017	1,020,000	711,582	1,731,582
2018-2022	1,345,000	471,718	1,816,718
2023-2025	<u>1,325,000</u>	<u>135,350</u>	<u>1,460,350</u>
Total	<u>\$4,415,000</u>	<u>\$2,186,531</u>	<u>\$6,601,531</u>

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 28,931	\$ 5,094	\$ 34,025
2009	30,678	3,347	34,025
2010	<u>33,135</u>	<u>1,495</u>	<u>34,630</u>
Total	<u>\$ 92,744</u>	<u>\$ 9,936</u>	<u>\$ 102,680</u>

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, 2007.

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 18,000
2009	<u>9,000</u>
Total	<u>\$ 27,000</u>

Total rental expenditures for the year ended June 30, 2007 for all operating leases were \$74,935.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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, 2007, 2006, and 2005, were \$1,069,772, \$1,091,267, and \$1,013,482, 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.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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 \$2,029,593, 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 \$1,524,891 at June 30, 2007. Changes in the aggregate claims liability for the current year are as follows:

Balance, beginning of year	\$1,757,567
Employee paid premiums	2,372,231
Claims paid	(2,334,344)
Fees	<u>(10,728)</u>
Balance, end of year	1,784,726
Claims incurred but not reported	<u>259,835</u>
Insurance claims reserve	<u>\$1,524,891</u>

NOTE 8 - NEW PRONOUNCEMENTS

As of June 30, 2007, the Governmental Accounting Standards Board had issued the following statements not yet implemented by the Agency. The Statements, which might impact the Agency, are as follows:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the Agency beginning with its year ending June 30, 2008. The Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB) and supersedes existing guidance.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the Agency beginning with its year ending June 30, 2009. The Statement requires governments to report any liability associated with providing employee benefits other than pensions subsequent to their employment with the Agency that have not been fully funded.

The Agency's management has not yet determined the effect these Statements will have on the Agency's financial statements.

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, 2007

	<u>Actual</u>	<u>Original</u>	<u>Budget</u>	<u>Final</u>	<u>Final to Actual Variance - Favorable (Unfavorable)</u>
REVENUES					
Local sources	\$ 10,203,859	\$ 10,262,643		\$ 10,403,061	\$ (199,202)
State sources	9,192,876	10,718,750		9,197,269	(4,393)
Federal sources	12,508,305	15,440,193		13,082,772	(574,467)
	<u>31,905,040</u>	<u>36,421,586</u>		<u>32,683,102</u>	<u>(778,062)</u>
EXPENDITURES					
Current					
Instruction	2,207,853	2,802,387		2,151,881	(55,972)
Student support services	16,246,964	14,605,167		16,600,825	353,861
Instructional staff support services	7,074,119	8,953,546		7,977,079	902,960
General administration	1,569,033	1,281,719		1,929,419	360,386
Business administration	1,671,336	2,481,360		1,797,596	126,260
Plant operations and maintenance	831,913	730,583		1,118,388	286,475
Central and other support services	2,209,058	2,424,608		2,416,544	207,486
Debt service	3,230,840	618,989		158,073	(3,072,767)
	<u>35,041,116</u>	<u>33,898,359</u>		<u>34,149,805</u>	<u>(891,311)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,136,076)</u>	<u>2,523,227</u>		<u>(1,466,703)</u>	<u>(1,669,373)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	391,874	318,989		311,927	79,947
Operating transfers out	(391,874)	(318,989)		(311,927)	(79,947)
Total other financing sources (uses)	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(3,136,076)</u>	<u>2,523,227</u>		<u>(1,466,703)</u>	<u>(1,669,373)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>7,424,233</u>	<u>7,424,233</u>		<u>7,424,233</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,288,157</u>	<u>\$ 9,947,460</u>		<u>\$ 5,957,530</u>	<u>\$ (1,669,373)</u>

The accompanying notes are an integral part of the financial statements.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION -
BUDGETARY REPORTING
June 30, 2007

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, 2007, expenditures in the instruction and debt service functions exceeded the amounts budgeted.

OTHER SUPPLEMENTAL INFORMATION

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007**

ASSETS	<u>Special Revenue Juvenile Home</u>	<u>Capital Projects</u>	<u>Total</u>
Receivables			
Due from other governments	\$ 9,354	\$ -	\$ 9,354
Due from other funds	<u>33,280</u>	<u>41,216</u>	<u>74,496</u>
TOTAL ASSETS	<u>\$ 42,634</u>	<u>\$ 41,216</u>	<u>\$ 83,850</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Salaries and benefits payable	\$ 32,385	\$ -	\$ 32,385
FUND BALANCES			
Unreserved			
Undesignated	<u>10,249</u>	<u>41,216</u>	<u>51,465</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 42,634</u>	<u>\$ 41,216</u>	<u>\$ 83,850</u>

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2007**

	<u>Special Revenue Juvenile Home</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES			
State sources	\$ 486,562	\$ -	\$ 486,562
Federal sources	<u>3,653</u>	<u>-</u>	<u>3,653</u>
Total revenues	<u>490,215</u>	<u>-</u>	<u>490,215</u>
EXPENDITURES			
Current			
Instruction	451,483	-	451,483
General administration	46,599	-	46,599
Plant operations and maintenance	<u>-</u>	<u>179,690</u>	<u>179,690</u>
Total expenditures	<u>498,082</u>	<u>179,690</u>	<u>677,772</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(7,867)	(179,690)	(187,557)
FUND BALANCES, BEGINNING OF YEAR	<u>18,116</u>	<u>220,906</u>	<u>239,022</u>
FUND BALANCES, END OF YEAR	<u>\$ 10,249</u>	<u>\$ 41,216</u>	<u>\$ 51,465</u>

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

	Modified Accrual Basis			
	Years Ended June 30,			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
REVENUES				
Local sources	\$ 10,203,859	\$ 9,562,624	\$ 8,943,963	\$ 8,784,708
State sources	9,192,876	8,304,075	8,062,739	7,943,264
Federal sources	12,508,305	14,865,468	15,059,591	12,457,130
TOTAL REVENUES	<u>\$ 31,905,040</u>	<u>\$ 32,732,167</u>	<u>\$ 32,066,293</u>	<u>\$ 29,185,102</u>
EXPENDITURES				
Instruction	\$ 2,207,853	\$ 1,867,586	\$ 2,013,323	\$ 2,554,533
Student support services	16,246,964	16,804,484	15,193,130	13,646,068
Instructional staff support services	7,074,119	7,592,516	7,555,648	7,173,801
General administration	1,569,033	1,762,107	1,920,696	2,422,493
Business administration	1,671,336	1,638,475	1,716,110	997,908
Plant operations and maintenance	831,913	1,939,328	768,273	532,223
Central and other support services	2,209,058	1,645,111	1,710,960	1,632,323
Debt service	3,230,840	614,696	384,238	261,423
TOTAL EXPENDITURES	<u>\$ 35,041,116</u>	<u>\$ 33,864,303</u>	<u>\$ 31,262,378</u>	<u>\$ 29,220,772</u>

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 June 30, 2007

GRANTOR/PROGRAM	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
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	6K76-09	\$ 18,893
Miscellaneous IDEA - Instructional Strategies	84.027	6K791DM-09	73,211
Miscellaneous IDEA - Every Child Reads	84.027	6K70-78-09	5,551
Part B - Section 611 LEA Flow through	84.027	7KB2-09	2,729,494
Part B - Section 611 Service to Handicapped	84.027	60609	7,337,827
Part B - Section 611 Parent Educator	84.027	67409	106,313
Part B - Section 611 Diagnostic Evaluations	84.027	6K71-09	14,395
			<u>10,285,684</u>
Part B - Section 619 Preschool Diagnostic	84.173	06619-09	312,478
Part C - Infant and Toddler	84.181	C06-09	296,568
Miscellaneous IDEA - SIG Early Childhood	84.323	G6P13-9	4,527
Miscellaneous IDEA - SIG Early Childhood	84.323	G7P13-9	28,305
			<u>32,832</u>
Vocational Education - Basic Grants to States			
Title II C - Andrew Consortium	84.048		36,565
Title II C - Bettendorf Consortium	84.048		81,989
Title II C - Camanche Consortium	84.048		20,240
Title II C - Western Consortium	84.048		49,811
			<u>188,605</u>
ESEPT	84.318		5,184
ESEPT	84.318		11,295
Enhancing Education Through Technology	84.318		104,942
			<u>121,421</u>
Fund for the Improvement of Education			
Our Kids	84.215		10,388
Tech Prep Education			
Title III	84.243		63,849
English Language Learners	84.365		140,510
Statewide Reading Team	84.357		15,381
Total Indirect			<u>11,467,716</u>

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2007

GRANTOR/PROGRAM	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Direct:			
U.S. Department of Education:			
Safe and Drug Free Schools and Communities - National Programs			
Mentoring	84.184	Q184B050065	\$ 135,525
Safe Schools Healthy Students	84.184	Q184L030145	<u>226,054</u>
			<u>361,579</u>
Fund for the Improvement of Education			
American History 2	84.215	U215X030229	74,146
Elementary Counseling Drug Free Schools	54.215	Q215E040502	<u>348,782</u>
			<u>422,928</u>
Early Reading First			
Emerging Literacy Consortium	84.359	S359B031062	<u>109,225</u>
Total Direct			<u>893,732</u>
TOTAL			<u>\$ 12,361,448</u>

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.

**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 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, 2007, which collectively comprise Agency's basic financial statements and have issued our report thereon dated February 8, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. The significant deficiency is described in the accompanying schedule of findings and questioned costs as item 07-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mississippi Bend Area Education Agency 9's financial statements are free of material 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, 2007 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.

Mississippi Bend Area Education Agency 9's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. While we have expressed our conclusions on Mississippi Bend Area Education Agency 9's responses, we did not audit Mississippi Bend Area Education Agency 9's response and, accordingly, we express no opinion on it.

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 Henderson LLP

Clinton, Iowa
February 8, 2008

**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, 2007. 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; 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 of 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, 2007.

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 the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A *control deficiency* in the entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 Henderson LLP

Clinton, Iowa
February 8, 2008

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

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 no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weakness(es)? yes 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 no

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$ 370,843

Auditee qualified as low-risk auditee? yes no

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Part II: Financial Statement Findings:

Instances of Non-compliance:

No matters were noted.

Significant Deficiencies:

07-1 Financial Statement Preparation

Criteria - The Agency engages Clifton Gunderson to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, Clifton Gunderson cannot be considered part of the Agency's internal control system. To establish proper internal control over the preparation of its financial statements, including disclosures, the Agency should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate.

Condition - The Agency has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the entity's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Effect - Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Cause - The Agency has relied on independent auditor's to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation - Management should perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Response - Management will perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Conclusion - Response accepted.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Part III: Federal Award Findings and Questioned Costs:

Instances of Non-compliance:

No matters were noted.

Significant Deficiencies:

No matters were noted.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Budget - Expenditures for the year ended June 30, 2007 exceeded the amount budgeted in the instruction and debt service functions.

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-07 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-07 Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

IV-D-07 Business Transactions - No business transactions between the Agency and Agency officials or employees were noted.

IV-E-07 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-07 Board Minutes - No transactions requiring Board approval were noted which had not been approved.

IV-G-07 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-07 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, 2007**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>
--------------------------	----------------------	---------------

No matters were noted.		
------------------------	--	--

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2007**

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Plan</u>	<u>Contact Person, Title Phone Number</u>	<u>Anticipated Date of Completion</u>
---------------------------	--------------------------	-------------------------------	---	---

There were no comments made regarding significant deficiencies or noncompliance with federal awards.