

GREEN VALLEY AREA EDUCATION AGENCY 14

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

June 30, 2008

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GREEN VALLEY AREA EDUCATION AGENCY 14

<u>Name</u>	<u>Officials</u> <u>Title</u>	<u>Term</u> <u>Expires</u>
Board of Directors:		
Julie Wilken	President	2009
Dennis Jeter	Vice President	2009
Bethany Kintigh	Member	2011
Darla Sobotka	Member	2011
Marion James	Member	2011
Lois Trinity	Member	2009
R. Blake Cooper	Member	2009
Raymond Storm	Member	
Agency:		
Connie Maxson	Chief Administrator	
Lori Kinyon	Business Manager and Board Treasurer	
Tina Smith	Board Secretary	

AREA SERVED

Adair County:
 Nodaway Valley Community Schools
 Orient-Macksburg Community Schools

Adams County:
 Corning Community Schools
 Prescott Community Schools

Clarke County:
 Clarke Community Schools
 Murray Community Schools

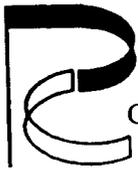
Decatur County:
 Central Decatur Community Schools
 Lamoni Community Schools
 Mormon Trail Community Schools

Montgomery County:
 Red Oak Community Schools
 Stanton Community Schools
 Villisca Community Schools

Ringgold County:
 Diagonal Community Schools
 Mount Ayr Community Schools

Taylor County:
 Bedford Community Schools
 Clearfield Community Schools
 Lenox Community Schools
 New Market Community Schools

Union County:
 Creston Catholic School
 Creston Community Schools
 East Union Community Schools



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Green Valley Area Education Agency 14:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Green Valley Area Education Agency 14 as of and for the year ended June 30, 2008, which collectively comprise the Area Education Agency's basic financial statements listed in the table of contents. These financial statements are the responsibility of Agency officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the Single Audit Act Amendment of 1996 and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Green Valley Area Education Agency 14, at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated January 19, 2009 on our consideration of Green Valley Area Education Agency 14's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the 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 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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and pages 24 through 25 are not required parts of the basic financial statements, but are supplementary 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 supplementary information. 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 Green Valley Area Education Agency 14'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, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

A handwritten signature in black ink that reads "Arthur & Company, LLP". The signature is written in a cursive, flowing style.

January 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Area Education Agency 14 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, 2008. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- The Iowa Legislature continued to reduce State Aid funding for Area Education Agencies statewide during fiscal year 2008 (FY08), though a portion of the reduction was returned. For Area Education Agency 14 this reduction totaled \$300,568, a decrease from \$364,956 in fiscal year 2007 (FY07).
- General Fund Revenues increased from \$7,107,361 in fiscal year 2007 (FY07) to \$7,342,822 in fiscal year 2008 (FY08), while General Fund Expenditures also increased from \$7,441,427 in FY07 to \$7,646,532 in FY08. The ultimate result to the Agency's General Fund fund balance was a decrease from \$1,292,098 in FY07 to \$987,175 in FY08.
- The increase in General Fund revenues was attributable to the 4% allowable growth in state funding and the return of previously withheld state aid. The increase in expenditures can be attributed to increasing salary and benefit expenditures, along with an increase in travel costs for staff.

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 Area Education Agency 14 as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, and Supplementary Information provides detailed information about other items of interest.

Reporting the Agency as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

- Over time, increases or decreases in the Agency's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, additional non-financial factors, such as changes in the Agency's property tax base and the condition of its facilities, need to be considered.
- The Government-wide financial statements include the Agency's basic services, such as regular and special education instruction, student and instructional staff support services and administration. Local school district fees, property taxes, state aid and federal grants finance 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.

The General Fund is the only fund comprising the Agency's Governmental Funds. Governmental Funds account for all 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 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. Area Education Agency 14's net assets at the end of FY08 totaled approximately \$1.9 million. The analysis that follows provides a summary of the Agency's net assets at June 30, 2008 for the governmental activities. The agency does not have business-type activities, therefore that column, although shown, is zero.

Condensed Statement of Net Assets			
	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,822,647	-0-	\$ 1,822,647
Capital assets	924,363	-0-	924,363
Total assets	2,747,010	-0-	2,747,010
Long-term obligations	-0-	-0-	-0-
Other liabilities	835,472	-0-	835,472
Total liabilities	835,472	-0-	835,472
Net assets:			
Invested in capital assets, net of related debt	924,363	-0-	924,363
Restricted (See Note 7)	72,500	-0-	72,500
Unrestricted	914,675	-0-	914,675
Total net assets	\$ 1,911,538	-0-	\$ 1,911,538

The Agency's combined net assets decreased by approximately \$360,000 from FY07.

The following analysis shows the changes in net assets for the year ended June 30, 2008.

	Changes in Net-Assets		
	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 263,002	\$ -0-	\$ 263,002
Operating grants and contributions	3,481,795	-0-	3,481,795
General revenues			
Property tax	1,654,013	-0-	1,654,013
State aid	1,909,265	-0-	1,909,265
Unrestricted investment earnings	34,747	-0-	34,747
Miscellaneous	-0-	-0-	-0-
Total revenues	7,342,822	-0-	7,342,822
Program expenses:			
Instruction	347,073	-0-	347,073
Student support services	2,642,230	-0-	2,642,230
Instructional staff support services	2,061,289	-0-	2,061,289
General administration	638,570	-0-	638,570
Building administration	378,300	-0-	378,300
Business administration	685,785	-0-	685,785
Printing and Delivery	100,217	-0-	100,217
Plant operations and maintenance	211,901	-0-	211,901
Central and other support services	388	-0-	388
Community Service operations	66,192	-0-	66,192
LEA part B flow-through	569,709	-0-	569,709
Total expenses	7,701,654	-0-	7,701,654
Decrease in net assets	358,832	-0-	358,832
Net assets beginning of year	2,270,370	-0-	2,270,370
Net assets end of year	\$ 1,911,538	\$ -0-	\$ 1,911,538

State formula funding, consisting of State aid and Property taxes, accounts for 48% of the total revenue. Operating grants and contributions from local, state and federal sources account for an additional 51% of the total revenue. The Agency's expenses primarily relate to instruction and support services provided to local school districts, including administrators, teachers, and students. Services provided to schools are reported above in the areas of Instruction, Student support services, Instructional staff support services, Printing and Delivery, Community Service Operations, LEA part B flow-through and a large portion of the Building and Business administration services.

Governmental Activities

Revenues for governmental activities were \$7,342,822 and expenses were \$7,701,654, resulting in the \$358,832 decrease to net assets. Because of continuing loss of students in Area 14 and the leveling off of federal funding sources, the Agency recognizes the need to keep the revenues and operating expenditures relatively balanced during FY09.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

As previously noted, Area Education Agency 14 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's Governmental Funds reported combined fund balances of \$987,175, a decrease of \$304,923 from last year's ending fund balances of \$1,292,098.

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the Agency had invested \$924,363, net of accumulated depreciation and related debt, in a broad range of capital assets, including land, buildings, computers, equipment, and an extensive library/media collection. This is a net decrease of approximately \$54,000 from last year.

Area Education Agency 14 had depreciation expense of \$152,318 in FY08 and total accumulated depreciation of \$1,693,221 at June 30, 2008. More detailed information about capital assets is available in Note 3 to the financial statements.

Debt

At June 30, 2008, the Agency had no long-term debt outstanding.

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:

- Most school districts within AEA 14 are experiencing continual decreases in overall student enrollment, resulting in fewer students generating state funding for the Agency.
- Federal funding received indirectly through the Department of Education has leveled off compared to large increases the Agency received several years ago.
- The Iowa legislature has reduced state aid to AEA's during FY05, FY06, FY07, and FY08. In FY05 and FY06 AEA 14 received \$451,814 less than provided under the state aid funding formula. The state funding reductions continued in FY07, although the legislature did return \$3.8 million in state aid revenues to the AEA system, which amounted to \$86,858 for AEA 14. This reduced the state aid reduction in FY07 for AEA 14 to \$364,956. An additional \$64,388 of state aid revenue was returned to AEA 14 for FY08, bringing the reduction down to \$300,568. Another \$66,866 is being returned in FY09, bringing the reduction down even more, to \$233,702. However, based on current state economic factors, additional reductions are anticipated for FY09.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office of Area Education Agency 14, 1405 North Lincoln, Creston, Iowa 50801.

Green Valley Area Education Agency 14
Statement of Net Assets
June 30, 2008

ASSETS

Cash and Cash Equivalents	\$ 114,394
Investments	1,094,337
Due from Other Governments	524,418
Other Receivables	10,463
Inventories	28,687
Prepaid Expenses	50,348
Capital Assets, Net of Depreciation	924,363
Total Assets	<u>2,747,010</u>

LIABILITIES

Accounts Payable	252,275
Accrued Payroll and Benefits	524,459
Deferred Revenues	58,738
Total Liabilities	<u>835,472</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	924,363
Restricted	
Inventories	28,687
Media Materials	15,158
Teacher Quality	28,655
Designated	
Cash Flow	500,000
Unrestricted/Undesignated	414,675
Total Net Assets	<u>\$ 1,911,538</u>

See accompany notes to financial statements.

Green Valley Area Education Agency 14
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets and Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	
Governmental activities:					
Instruction	\$ 347,073	\$ -	\$ 112,040	\$ -	\$ (235,033)
Student support services	2,642,230	26,755	1,460,736	-	(1,154,739)
Instructional staff support services	2,061,289	106,361	742,257	-	(1,212,671)
General administration	638,570	2,474	61,382	-	(574,714)
Building administration	378,300	-	253,059	-	(125,241)
Business administration	685,785	61,104	216,420	-	(408,261)
Printing & van delivery	100,217	66,308	-	-	(33,909)
Plant operations and maintenance	211,901	-	-	-	(211,901)
Central & other support services	388	-	-	-	(388)
Community Service Operations	66,192	-	66,192	-	-
LEA Part B Flowthrough	569,709	-	569,709	-	-
Total Primary Government	\$ 7,701,654	\$ 263,002	\$ 3,481,795	\$ -	\$ (3,956,857)
General Revenues					
Property taxes, levied for general purposes					\$ 1,654,013
State aid-formula grants					1,909,265
Non-Categorical federal funding					-
Unrestricted investment earnings					34,747
Total general revenues					<u>3,598,025</u>
Change in net assets					<u>(358,832)</u>
Net assets-Beginning					2,270,370
Net assets-Ending					<u>\$ 1,911,538</u>

See accompanying notes to the financial statements.

Green Valley Area Education Agency 14
Balance Sheet
Governmental Funds
June 30, 2008

	Non-Major Governmental Funds						Government- Wide Total
	General	Special Revenue		Capital Projects	Non-Major Funds		
		Instructional	Shelter Care		Sub-	Total	
ASSETS							
Cash and cash equivalents	\$ 114,394	\$ -	\$ -	\$ -	\$ -	\$ 114,394	
Investments	1,094,337	-	-	-	-	1,094,337	
Due from other governments	524,418	-	-	-	-	524,418	
Other receivables	10,463	-	-	-	-	10,463	
Inventories	28,687	-	-	-	-	28,687	
Prepaid expenses	50,348	-	-	-	-	50,348	
Total Assets	<u>1,822,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,822,647</u>	
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts payable	252,275	-	-	-	-	252,275	
Accrued payroll and benefits	524,459	-	-	-	-	524,459	
Deferred revenues	58,738	-	-	-	-	58,738	
Total Liabilities	<u>835,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>835,472</u>	
Fund Balance							
Reserved/Restricted							
Inventory	28,687	-	-	-	-	28,687	
Media Materials	15,158	-	-	-	-	15,158	
Teacher Quality	28,655	-	-	-	-	28,655	
Designated							
Cash Flow	500,000	-	-	-	-	500,000	
Unreserved/Undesignated	414,675	-	-	-	-	414,675	
Total Fund Balance	<u>987,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>987,175</u>	
Total Liabilities and Fund Balances	<u>\$ 1,822,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,822,647</u>	

See accompanying notes to the financial statements.

**Green Valley Area Education Agency 14
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets**

Total Fund Balances-Governmental Funds	\$	987,175
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$2,617,584, less the accumulated depreciation of \$1,693,221.</p>		924,363
Total Net Assets-Governmental Activities	\$	<u>1,911,538</u>

See accompanying notes to financial statements.

**Green Valley Area Education Agency 14
Statement of Revenues, Expenditures and
Changes in Fund Balances-Governmental Funds
For the Year Ended June 30, 2008**

	General	Non-Major Governmental Funds				Total
		Special Revenue Instructiona	Shelter Care	Capital Projects	Non-Major Funds Sub-Total	
Revenues						
Local Sources & Intermediate Sources	\$ 1,984,047	\$ -	\$ -	\$ -	\$ -	\$ 1,984,047
State Sources	2,241,069	-	-	-	-	2,241,069
Federal Sources	3,105,684	-	-	-	-	3,105,684
Other Sources	12,022	-	-	-	-	12,022
Total Revenues	7,342,822	-	-	-	-	7,342,822
Expenditures						
Instruction	347,073	-	-	-	-	347,073
Student support services	2,643,950	-	-	-	-	2,643,950
Instructional staff support services	2,003,016	-	-	-	-	2,003,016
General administration	637,519	-	-	-	-	637,519
Building administration	378,300	-	-	-	-	378,300
Business administration	715,841	-	-	-	-	715,841
Printing and delivery services	100,217	-	-	-	-	100,217
Plant operations and maintenance	184,327	-	-	-	-	184,327
Central & other support services	388	-	-	-	-	388
Community service operations	66,192	-	-	-	-	66,192
LEA Part B Flowthrough	569,709	-	-	-	-	569,709
Total expenditures	7,646,532	-	-	-	-	7,646,532
Excess (deficiency) of revenues over (under) expenditures	(303,710)	-	-	-	-	(303,710)
Downward adjustment to Beginning Fund Balance	(1,213)	-	-	-	-	(1,213)
Fund Balances - Beginning	1,292,098	-	-	-	-	1,292,098
Fund Balances - Ending	\$ 987,175	\$ -	\$ -	\$ -	\$ -	\$ 987,175

See accompanying notes to the financial statements.

Green Valley Area Education Agency 14
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities

Total Net Change in Fund Balances-Government Funds \$ (304,923)

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

Capital outlays are reported in governmental funds as expenditures. (50,250)
 However, in the statement of activities, the cost of those assets is allocated over their estimated useful life as depreciation expense. This is the amount by which depreciation expense (\$152,318) exceeds capital outlays (\$102,068)

The net effect of various miscellaneous transactions involving capital assets (i.e. donations and write-offs) is to decrease net assets. (3,659)

Change in Net Assets of Governmental Activities \$ (358,832)

See accompanying notes to financial statements.

GREEN VALLEY AREA EDUCATION AGENCY 14

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Green Valley Area Education Agency 14 is an intermediate school corporation between the State Department of Education and the local school districts in its area as provided by Chapter 273 of the Code of Iowa. The Agency provides programs and support services necessary to meet the identified educational needs in the local school districts to enable them to operate efficiently and effectively. The Agency serves 21 school districts and non-public schools in an eight-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Green Valley Area Education Agency 14 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.

B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental Activities, which normally are supported by intergovernmental revenues, are reported separately from Business-Type Activities, which rely to a significant extent on fees and charges for support.

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

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

Restricted net assets result when constraints placed on net 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 segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to clients 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.

GREEN VALLEY AREA EDUCATION AGENCY 14

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies (continued)

Fund Financial Statements – Separate financial statements are provided for the Governmental Funds. All of the Agency's individual Governmental Funds are reported as separate columns in the Fund Financial Statements. Only the General Fund is considered a major fund.

The Agency reports the following major Governmental Fund:

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

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Measurement Focus

The Government-Wide Financial Statements are reported using the economic resources measurement focus. Also, they 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 met.

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 90 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 revenues 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 judgements 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 recorded as other financing sources.

GREEN VALLEY AREA EDUCATION AGENCY 14
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The Agency's Board of Directors annually prepares a budget on a basis consistent with generally accepted accounting principles. 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. Budgetary control is based on total expenditures.

F. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents- Cash includes amounts in demand deposits, money market funds and certificate of deposits. Investments are stated at fair value except for the investment in the 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 maturity date no longer than three months.

Inventories - Inventories are stated at lower of cost (first-in, first-out method) or market and consist of expendable supplies and materials. The cost of these items is recorded as an expenditure at the time of consumption. The coop purchasing inventory consists of items acquired by the Agency for resale to the local education agencies.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable Governmental or Business-Type Activities column in the Government-Wide Statement of Net Assets. Capital assets are recorded at historical cost. 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 \$3,000 and estimated useful lives in excess of two years.

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements	20
Furniture and equipment	5-10
Film and book library	5

Salaries and Benefits Payable - Payroll and related expenses for staff 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.

GREEN VALLEY AREA EDUCATION AGENCY 14

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies (continued)

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.

Encumbrances - Encumbrances outstanding at year-end represent the amount ultimately estimated to result in expenditures if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

Fund Balances – In the Governmental Fund Financial Statements, Reserved Fund Balances are reported for amounts that are not available for appropriation or are legally reserved by outside parties for a specific purpose.

Designated Fund Balance - The portion of the fund balance shown as Designated represents the amount Green Valley Area Education Agency 14 has designated for facility and equipment needs and other special purposes.

Restricted Net Assets – In the Government-Wide Statement of Net Asset, 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.

(2) Cash and Cash Equivalents

The Agency's cash and cash equivalents at June 30, 2008 were entirely covered by Federal depository insurance, collateralized with securities or letter of credit held by the Agency or the Agency's agent in the Agency's name, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The Agency's cash and cash equivalents are categorized to give an indication of the level of risk assumed by the Agency at year end. Except for the Agency's investment in the Iowa School Joint Investment Trust, the Agency's investment are all Category 1, which means that the investments are insured or registered or the securities are held by the Agency or its agent in the Agency's name.

Investments in the Iowa Schools Joint Investment Trust are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

GREEN VALLEY AREA EDUCATION AGENCY 14
Notes to Financial Statements
June 30, 2008

(2) Cash and Cash Equivalents (continued)

The Agency's investments at June 30, 2008 consisted of the following:

	<u>Cost</u>	<u>Market Value</u>
Iowa Schools Joint Investment Trust	\$ <u>1,094,337</u>	\$ <u>1,094,337</u>

Interest rate risk. The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

(3) Capital Assets

A summary of changes in Capital Assets for the year ended June 30, 2008 is shown below.

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending of Year</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ <u>70,210</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>70,210</u>
Capital Assets Being Depreciated:				
Buildings	784,252	-0-	-0-	784,252
Furniture and Equipment	886,046	51,043	24,629	912,460
Library/Media Collection	<u>976,662</u>	<u>51,025</u>	<u>177,025</u>	<u>850,662</u>
Total Capital Assets Being Depreciated	<u>2,646,960</u>	<u>102,068</u>	<u>201,654</u>	<u>2,547,374</u>
Less Accumulated Depreciation for:				
Buildings	346,434	20,650	-0-	367,084
Furniture and Equipment	563,774	71,503	36,348	598,929
Library/Media Collection	<u>828,690</u>	<u>60,165</u>	<u>161,647</u>	<u>727,208</u>
Total Accumulated Depreciation	<u>1,738,898</u>	<u>152,318</u>	<u>197,995</u>	<u>1,693,221</u>
Total Capital Assets Being Depreciated, Net	<u>908,062</u>	<u>50,250</u>	<u>3,659</u>	<u>854,153</u>
Governmental Activities Capital Assets, Net	<u>\$ 978,272</u>	<u>\$ 50,250</u>	<u>\$ 3,659</u>	<u>\$ 924,363</u>

GREEN VALLEY AREA EDUCATION AGENCY 14
Notes to Financial Statements
June 30, 2008

(3) Capital Assets (continued)

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

Governmental Activities:	
Instructional Staff Support Services	\$ 109,299
Plant, Central, and Other Support Services	31,908
Business Administration	10,060
General Administration	<u>1,051</u>
Total Governmental Activities Depreciation Expense	<u>\$ 152,318</u>

(4) Long-Term Debt

The Agency had no long-term debt during, or at the end of, the fiscal year ended June 30, 2008.

(5) Operating Leases

The Agency has leased various facilities within the area to house the different divisions of the Agency. These leases have been classified as operating leases and, accordingly, all rents are charged to expenditures as incurred. The leases expire between August 31, 2009 and June 30, 2010. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expected 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, 2008.

Year Ending June 30,	Amount
2009	\$ 35,957
2010	20,869
Total	<u>\$ 56,826</u>

Total rental expenditures for the year ended June 30, 2008 for all operating leases, except those with terms of a month or less that were not renewed, was \$34,865.

(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 the State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the Agency is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 was approximately \$264,000, \$236,000, and \$222,000 respectively, equal to the required contributions for each year.

GREEN VALLEY AREA EDUCATION AGENCY 14
Notes to Financial Statements
June 30, 2008

(7) Risk Management

Green Valley Area Education Agency 14 is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Legislative Action effecting AEA finances

The Iowa legislature has reduced State Aid to AEA's several times in the last few years. In fiscal year 2007 AEA 14 received approximately \$300,000 less than provided for under the State Aid Funding Formula. This reduction, however, was \$64,000 less than the State Aid reduction during fiscal year 2007. Based on current economic factors, additional reductions are anticipated for FY09.

(9) Commitment

Agency employees accumulate sick leave hours for subsequent use. These accumulations are not recognized as expenditures until used and are not payable in the event of the employee's termination, retirement or death. At June 30, 2008, the Agency's maximum liability for accumulated sick leave benefits was approximately \$1,223,000.

(10) Annual Budget

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2008, expenditures did exceed budgeted amounts in Building Administration and Business Administration, however, the total budget was not exceeded.

Green Valley Area Education Agency 14

Required Supplementary Information

Required Supplementary Information
Green Valley Area Education Agency 14
Budgetary Comparison Schedule
All Governmental Funds
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local and Intermediate sources	\$ 2,154,013	\$ 2,084,013	\$ 1,984,047	\$ (99,966)
State sources	2,098,194	2,203,265	2,241,069	37,804
Federal sources	3,230,000	3,150,000	3,105,684	(44,316)
Total revenues	<u>7,482,207</u>	<u>7,437,278</u>	<u>7,330,800</u>	<u>(106,478)</u>
EXPENDITURES				
Instruction	336,000	375,000	347,073	27,927
Student support services	2,499,000	2,665,000	2,643,950	21,050
Instructional staff support services	2,106,000	2,120,000	2,003,016	116,984
General administration	703,000	660,000	637,519	22,481
Building administration	336,000	375,000	378,300	(3,300)
Business administration	693,000	740,000	715,841	24,159
Printing, van delivery and coop purchasing	173,000	140,000	100,217	39,783
Plant operations and maintenance	224,000	217,000	184,327	32,673
Central & other support services	21,000	8,000	388	7,612
Noninstructional programs	78,000	67,000	66,192	808
LEA Part B Flow-Through	576,000	569,709	569,709	-
Total Expenditures	<u>7,745,000</u>	<u>7,936,709</u>	<u>7,646,532</u>	<u>290,177</u>
Excess (deficiency) of revenues over expenditures	(262,793)	(499,431)	(315,732)	183,699
OTHER FINANCING SOURCES (USES)				
Sales of Equipment	5,000	12,000	12,022	22
Downward Adjustment to Beginning Fund Balance	-	-	(1,213)	(1,213)
Excess (deficiency) of revenues over expenditures and other financing (uses)	<u>\$ (257,793)</u>	<u>\$ (487,431)</u>	<u>\$ (304,923)</u>	<u>\$ 182,508</u>

See accompanying independent auditor's report.

Green Valley Area Education Agency 14

Note to Required Supplementary Information – Budgetary Reporting

June 30, 2008

This budgetary comparison is presented as Required Supplementary 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 U.S. generally accepted accounting principles. Although the budget document presents function 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.

Green Valley Area Education Agency 14

Other Supplementary Information

GREEN VALLEY AREA EDUCATION AGENCY 14

Schedule 1

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,		
	2008	2007	2006
Revenues:			
Local sources	\$ 1,996,069	\$ 2,077,319	\$ 1,985,427
State	2,241,069	1,881,842	1,740,314
Federal	3,105,684	3,148,200	3,248,019
Total	\$ 7,342,822	\$ 7,107,361	\$ 6,973,760
Expenditures:			
Instruction	\$ 347,073	\$ 314,181	\$ 291,038
Student support services	2,643,950	2,350,141	2,380,612
Instructional staff support services	2,003,016	2,022,219	1,715,113
General administration	637,519	668,708	625,061
Building administration	378,300	342,248	313,963
Business administration	715,841	736,763	580,679
Printing, van delivery	100,217	127,520	142,021
Plant operations and maintenance	184,327	181,058	209,482
Central and other support services	388	11,694	13,906
Community Service Operations	66,192	68,861	69,733
LEA Part B flow through	569,709	575,465	590,413
Total	\$ 7,646,532	\$ 7,398,858	\$ 6,932,021

See accompanying independent auditor's report.

GREEN VALLEY AREA EDUCATION AGENCY 11
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

<u>Project Title</u>	<u>CFDA Number</u>	<u>Pass through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Education: Passed-through State Dept. of Education			
Special Education—Part B	84.027	70814	\$ 1,881,551
IDEA Part B	84.027	8KB2-14	569,709
LEA Flowthrough	84.027	2007-08	5,235
Diagnostic Evaluation	84.027	77414	66,192
Parent Educator	84.027	7K76-14	11,692
Para-Educator Training	84.027	7K79-14	43,419
Instructional Decision Making	84.027	ECR-7KE4-14	5,980
Every Child Reads			<u>2,583,778</u>
 Special Education			
Education of Handicapped Act Part C	84.181	C07-14	<u>115,624</u>
 Special Education			
Section 619-Preschool 3 through 5	84.173	07619-14	<u>128,440</u>
 Service Learning	94.004	08SL014	<u>3,500</u>
 Reading First	84.357	2007-08	<u>27,950</u>
 Title II			
E2T2, Part D	84.318	95106	<u>108,275</u>
 Title III			
ELL	84.365		3,353
ELL	84.365		<u>25,243</u>
ELL			<u>28,596</u>
 Secondary Professional Development	84.323A	SDPG-14	<u>2,244</u>
 Anti-Bullying Conference	84.186	028908	<u>2,065</u>
 Second Chance Reading	84.323	032608	<u>5,575</u>

GREEN VALLEY AREA EDUCATION AGENCY 14
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

<u>Project Title</u>	<u>CFDA Number</u>	<u>Pass through Grantor's Number</u>	<u>Expenditures</u>
Our Kids Summer Seminar	84.215		<u>1,800</u>
Every Learner Inquires	84.367	23608	<u>3,165</u>
Science Professional Development	84.336		37,171
	84.336		<u>29,184</u>
			<u>66,355</u>
TOTAL			<u>\$ 3,077,367</u>

* These programs are considered major programs under provisions of the Single Audit Act Amendment of 1996.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Heartland Area Education Agency 11 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 general purpose financial statements.

See accompanying independent auditor's report.



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

To the Board of Directors of
Green Valley Area Education Agency 14:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Green Valley Area Education Agency 14 as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Green Valley Area Education Agency 14's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Green Valley Area Education Agency 14's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Green Valley Area Education Agency 14'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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of the 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 Green Valley Area Education Agency 14's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Green Valley Area Education Agency 14's financial statements that is more than inconsequential will not be prevented or detected by Green Valley Area Education Agency 14's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

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 Green Valley Area Education Agency 14'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. None of the significant deficiencies described above are believed to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Green Valley Area Education Agency 14's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Governmental Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Green Valley Area Education Agency 14's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Agency's responses, we did not audit Green Valley Area Education Agency 14's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Agency and other parties to whom the Agency 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 the Agency during the course of our audit. Should you any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

January 19, 2009

Fithian & Company, LLP



**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
In Accordance with OMB Circular A-133**

To the Board of Directors of
Green Valley Area Education Agency 14:

Compliance

We have audited the compliance of Green Valley Area Education Agency 14, 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, 2008. Green Valley Area Education Agency 14's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Green Valley Area Education Agency 14's management. Our responsibility is to express an opinion on Green Valley Area Education Agency 14's compliance, based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Green Valley Area Education Agency 14's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Green Valley Area Education Agency 14's compliance with those requirements.

In our opinion, Green Valley Area Education Agency 14 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, 2008.

Internal Control over Compliance

The management of Green Valley Area Education Agency 14 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 Green Valley Area Education Agency 14'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, 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 Green Valley Area Education Agency 14's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Agency's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the Agency'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 non-compliance 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 Agency's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Agency's internal control.

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

Green Valley Area Education Agency 14's responses to the finding identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the Agency's responses, we did not audit Green Valley Area Education Agency 14's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Green Valley Area Education Agency 14 and other parties to whom the Agency 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.

A handwritten signature in cursive script that reads "Pithman & Company, LLP". The signature is written in black ink and is positioned to the right of the date.

January 19, 2009

GREEN VALLEY AREA EDUCATION AGENCY 14
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.027 - Special Education - Grants to States
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Green Valley Area Education Agency 14 qualified as a low-risk auditee.

GREEN VALLEY AREA EDUCATION AGENCY 14
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

Part II: Findings Related to the General Purpose Financial Statements:

Significant Deficiencies:

II-A-08 Controls over Blank Check Stock – One important aspect of controls over blank check stock is that it should be locked at all times when not in use. Through our review of the Agency's cash disbursements procedures, it was disclosed that the blank check stock is stored in an unlocked location.

Recommendation – The Agency should keep the blank check stock in a locked and secured location at all times when not in use.

Response – Blank check stock will be stored in a locked location.

Conclusion – The response was accepted.

Instances of Non-compliance:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

No Findings

GREEN VALLEY AREA EDUCATION AGENCY 14
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

Part IV: Other Findings Related to the Required Statutory Reporting:

- IV-A-08 Official Depositories - A resolution naming official depositories has been adopted by the Agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2008.
- IV-B-08 Budget - Expenditures for the year ended June 30, 2008, did not exceed the amount budgeted.
- IV-C-08 Questionable Expense - We noted no exceptions that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-08 Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- IV-E-08 Business Transactions - No business transactions between the Agency and Agency officials or employees were noted.
- IV-F-08 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 ensure that the coverage is adequate for current operations.
- IV-G-08 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-H-08 Deposits and Investments - The Agency complied with provisions of Chapters 12B and 12C of the Code of Iowa.
- IV-I-08 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.