MISSISSIPPI BEND AREA EDUCATION AGENCY 9

Bettendorf, Iowa

FINANCIAL STATEMENTS

June 30, 2008

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MISSISSIPPI BEND AREA EDUCATION AGENCY 9
OFFICIALS

Board of Directors

After October, 2007 Election

Name	Title	Term Expires
David Swim	President	2009
Richard Kissack	Vice-President	2009
William Koellner	Member	2008
Robin Krueger	Member	2008
Dick Wold	Member	2008
Jeanita Harris	Member	2009
Jody Hawley	Member	2010
Rex Masterson	Member	2010
Scott Saveraid	Member	2010

Before October, 2007 Election

Name	Title	Term Expires
David Swim	President	2009
Richard Kissack	Vice-President	2009
Rex Masterson	Member	2007
Scott Saveraid	Member	2007
William Koellner	Member	2008
Robin Krueger	Member	2008
Tom Mielnik	Member	2008
Dick Wold	Member	2008
Jeanita Harris	Member	2009

Agency

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

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mississippi Bend Area Education Agency 9 as of and for the year ended June 30, 2008, 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, 2008, 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 October 7, 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.

Offices in 17 states and Washington, DC

Member of HLB International

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, 2007 (none of which are presented herein). An unqualified opinion for June 30, 2007, 2006 and 2005 was expressed. The combining nonmajor fund schedules and the schedule of revenues by source and expenditures by function - all governmental fund types listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Clinton, Iowa
October 7, 2008

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

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

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $31,286,222 in fiscal year 2007 (FY07) to $32,090,133 in fiscal year 2008 (FY08), while General Fund expenditures decreased from $31,132,504 in FY07 to $30,634,029 in FY08. This resulted in an increase of the Agency's General Fund balance from $3,755,129 in FY07 to $4,927,856 in FY08, a 31.2 percent increase from the prior year.

- The increase in General Fund revenues was attributable to an increase in state controlled funding and teacher compensation funding and a decrease in Federal grants in FY08. The decrease in expenditures was due primarily to a decrease in Federal grants and a decrease in staff.

- 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 2007-2008.

- 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 $533,272 in FY08.

- The Agency's self-insured medical insurance program continued to experience favorable claim costs. The Agency was able to maintain a minimum balance at $1,500,000. The claims reserve balance at 6/30/2008 was $1,874,030.

- The State of Iowa expanded its' Teacher Quality funding in FY08. AEA 9's portion amounted to $704,554. This was an increase of $659,598 over FY07. The State of Iowa also provided $102,796 for professional development in FY08.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

- The Government-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Mississippi Bend Area Education Agency 9 as a whole and present an overall view of the Agency's finances.

- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide statements by providing information about the most significant funds.

- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

- Required Supplemental Information further explains and supports the financial statements with a comparison of the Agency's budget for the year.

- Other Supplemental Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various federal programs benefiting the Agency.

Reporting the Agency as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

- Over time, increases or decreases in the Agency's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

- To assess the Agency's overall health, additional non-financial factors, such as changes in the Agency's enrollment served and the condition of its facilities, need to be considered.

- *Governmental activities*: Most of the Agency's basic services are included here, such as regular and special education instruction, student and instructional staff support services, and administration. Local school districts, federal, and state aid financed most of these activities.

Fund Financial Statements

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

The Agency has one kind of fund:

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Mississippi Bend Area Education Agency 9's net assets at the end of fiscal year 2008 totaled approximately $5.35 million. This compared to approximately $4.17 million at the end of fiscal year 2007. The analysis that follows provides a summary of the Agency's net assets at June 30, 2008 for the governmental activities.

	Condensed Statement of Net Assets Governmental Activities	
	June 30, 2008	June 30, 2007
Current and other assets	$ 10,210,355	$ 7,642,114
Capital assets	6,880,406	6,784,744
Total assets	17,090,761	14,426,858
Long-term obligations	6,902,235	6,872,044
Other liabilities	4,839,692	3,384,643
Total liabilities	11,741,927	10,256,687
Net assets:		
Invested in capital assets, net of related debt	2,536,593	2,277,000
Restricted	432,558	450,877
Unrestricted	2,379,683	1,442,294
Total net assets	$ 5,348,834	$ 4,170,171

The Agency's combined net assets increased by 28.3%, or approximately $1.2 million from FY07.

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

	Changes in Net Assets Governmental Activities	
	June 30, 2008	June 30, 2007
Revenues:		
Program revenues:		
Charges for service	$ 1,795,746	$ 2,180,792
Operating grants and contributions	13,504,835	13,083,814
Total program revenues	15,300,581	15,264,606
General revenues:		
Property taxes	7,543,083	7,304,238
State Foundation Aid	9,078,317	8,413,495
Juvenile Home	478,180	486,562
Local donations	18,359	8,250
Unrestricted investment earnings	168,762	427,889
Total general revenues	17,286,701	16,640,434
Total revenues	32,587,282	31,905,040
Program expenses:		
Instruction	2,154,689	2,240,167
Student support services	16,039,758	16,289,433
Instructional staff support services	7,106,041	6,876,336
General administration	1,582,987	1,587,172
Business administration	1,525,201	1,679,505
Plant operations and maintenance	862,526	820,366
Central and other support services	1,954,147	2,231,646
Debt service	183,270	337,186
Total program expenses	31,408,619	32,061,811
Increase (decrease) in net assets	1,178,663	(156,771)
Net assets, beginning of year	4,170,171	4,326,942
Net assets, end of year	$ 5,348,834	$ 4,170,171

Operating grants and contributions from local, state and federal sources account for 93.9% of the total revenue. The Agency's expenses primarily relate to instruction and support services, which account for 80.6% of the total expenses.

GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were $32,587,282 and expenses were $31,408,619. The Agency continues to maintain current services offered with cuts in funding.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

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 $5,400,505 above last year's ending fund balances of $4,288,157. The major reason for the increase is due to contributions from local, state and federal sources with a decrease in expenses.

Governmental Fund Highlights

- The General Fund balance increased from $3,755,129 to $4,927,856. Encumbrance reserves increased $248,461, inventory and prepaid expenses reserve increased $117,149, insurance claims reserve increased $349,139, and unreserved undesignated fund balances increased $457,978.

- The Capital Projects Fund balance decreased due to the remodeling of the Bettendorf facility in FY08. The Agency ended FY07 with a balance of $41,216. FY08 ended with a balance of $0.

- The Debt Service Fund decreased due to the payment of principle and interest in FY08. The fund ended FY07 with a balance of $481,563. FY08 ended with a balance of $462,400.

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the Agency had invested $6,880,406 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 $95,700 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 $497,583 in FY08 and total accumulated depreciation of $4,688,748 at June 30, 2008. More detailed information about capital assets is available in Note 4 to the financial statements.

Debt

At June 30, 2008, the Agency had $6,902,235 in long-term debt outstanding compared to $6,872,044 at June 30, 2007. More detailed information about the Agency's long-term liabilities is available in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

- The Agency has experienced a decrease in the number of students being served by its programs for many years. A slight decrease in enrollment is expected to continue in the foreseeable future. Enrollment history and projections is as follows:

Year	Number	Difference
2000	54,311	-1,029
2001	53,577	-734
2002	53,247	-330
2003	52,866	-381
2004	52,353	-513
2005	52,152	-201
2006	51,861	-291
2007	51,324	-537
2008	51,052 est.	-272
2009	50,806 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.

- 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 $533,272 in FY08. The cut will be further reduced to $253,937 in FY09.

- 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. This will increase to $1,039,672 for additional teacher compensation and $101,906 for additional staff development in FY09.

- Due to the favorable balance in the self-funded insurance claims fund, no increase in health and dental premiums will be made for FY09.

- FY08 was the last year that AEA 9 reimbursed local school districts for selected Special Ed Support Service positions. This will make $727,931 available for Special Ed Support purposes in 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 Tom Wirtz, Director of Administrative Services, Mississippi Bend Area Education Agency 9, 729 21st Street, Bettendorf, Iowa 52722.

BASIC FINANCIAL STATEMENTS

EXHIBIT A

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities
ASSETS	
Cash	$ 474,594
Investments	5,692,217
Receivables	
Due from other governments	1,804,347
Accounts (net of $11,672 allowance for uncollectible accounts)	226,089
Inventories	70,072
Prepaid expenses	163,123
Restricted general obligation assets	
Investments	1,779,913
Capital assets (net of accumulated depreciation)	6,880,406
Total assets	17,090,761
LIABILITIES	
Accounts payable	695,871
Accrued interest payable	29,842
Salaries and benefits payable	1,478,937
GO warrants payable	1,750,000
GO accrued interest payable	47,025
Deferred revenue	
State and federal grants	560,744
Insurance claims incurred but not reported	277,273
Long-term liabilities	
Portion due or payable within one year	
Certificates of participation	140,000
Vehicle loan	30,679
Compensated absences	279,242
Portion due or payable after one year	
Certificates of participation	4,140,000
Vehicle loan	33,134
Compensated absences	2,279,180
Total liabilities	11,741,927
NET ASSETS	
Invested in capital assets, net of related debt	2,536,593
Restricted for	
Debt service	432,558
Unrestricted	2,379,683
Total net assets	$ 5,348,834

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

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
Governmental activities:				
Instruction	$ 2,154,689	$ 632,938	$ 139,374	$ (1,382,377)
Student support services	16,039,758	177,594	11,521,228	(4,340,936)
Instructional staff support services	7,106,041	387,150	1,456,195	(5,262,696)
General administration	1,582,987	27,500	30,000	(1,525,487)
Business administration	1,525,201	569,381	106,551	(849,269)
Plant operations and maintenance	862,526	-	-	(862,526)
Central and other support services	1,954,147	1,183	251,487	(1,701,477)
Debt service	183,270	-	-	(183,270)
Total governmental activities	$ 31,408,619	$ 1,795,746	$ 13,504,835	(16,108,038)
General revenues:				
Property taxes				7,543,083
State Foundation Aid				9,078,317
Juvenile Home				478,180
Local donations				18,359
Unrestricted investment earnings				168,762
Total general revenues				17,286,701
CHANGE IN NET ASSETS				1,178,663
NET ASSETS, BEGINNING OF YEAR				4,170,171
NET ASSETS, END OF YEAR				$ 5,348,834

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

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General	Debt Service	Nonmajor Governmental Funds	Total
ASSETS				
Cash	$ 474,594	$ -	$ -	$ 474,594
Investments	5,234,716	457,501	-	5,692,217
Receivables				
Due from other governments	1,778,669	-	25,678	1,804,347
Accounts (net of $11,672 allowance for uncollectible accounts)	226,089	-	-	226,089
Due from other funds	-	4,899	22,810	27,709
Inventories	70,072	-	-	70,072
Prepaid expenses	163,123	-	-	163,123
Restricted general obligation assets				
Investments	1,779,913	-	-	1,779,913
TOTAL ASSETS	$ 9,727,176	$ 462,400	$ 48,488	$ 10,238,064
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 695,871	$ -	$ -	$ 695,871
Salaries and benefits payable	1,440,698	-	38,239	1,478,937
GO warrants payable	1,750,000	-	-	1,750,000
GO accrued interest payable	47,025	-	-	47,025
Due to other funds	27,709	-	-	27,709
Deferred revenue				
State and federal grants	560,744	-	-	560,744
Insurance claims incurred but not reported	277,273	-	-	277,273
Total liabilities	4,799,320	-	38,239	4,837,559
FUND BALANCES				
Reserved for				
Encumbrances	488,383	-	-	488,383
Inventories	70,072	-	-	70,072
Prepaid expenses	163,123	-	-	163,123
Insurance claims	1,874,030	-	-	1,874,030
Unreserved				
Undesignated	2,332,248	462,400	10,249	2,804,897
Total fund balances	4,927,856	462,400	10,249	5,400,505
TOTAL LIABILITIES AND FUND BALANCES	$ 9,727,176	$ 462,400	$ 48,488	$ 10,238,064

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, 2008

Total governmental fund balances (page 15)	$ 5,400,505
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 $11,569,154 and the accumulated depreciation is $4,688,748.	6,880,406
Long-term liabilities, including certificates of participation, loans, compensated absences, and accrued interest payable are not due and payable in the current period and therefore, are not reported in the funds.	(6,932,077)
Net assets of governmental activities (page 13)	$ 5,348,834

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, 2008

	General	Debt Service	Nonmajor Governmental Funds	Total
REVENUES				
Local sources	$ 9,919,799	$ 16,574	$ -	$ 9,936,373
State sources	10,188,235	-	478,180	10,666,415
Federal sources	11,982,099	-	2,395	11,984,494
Total revenues	32,090,133	16,574	480,575	32,587,282
EXPENDITURES				
Current				
Instruction	1,681,903	-	433,406	2,115,309
Student support services	15,941,364	-	-	15,941,364
Instructional staff support services	7,243,142	-	-	7,243,142
General administration	1,525,490	-	47,169	1,572,659
Business administration	1,515,757	-	-	1,515,757
Plant operations and maintenance	767,228	-	41,216	808,444
Central and other support services	1,959,145	-	-	1,959,145
Debt service	-	319,114	-	319,114
Total expenditures	30,634,029	319,114	521,791	31,474,934
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,456,104	(302,540)	(41,216)	1,112,348
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	283,377	-	283,377
Operating transfers out	(283,377)	-	-	(283,377)
Total other financing sources (uses)	(283,377)	283,377	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,172,727	(19,163)	(41,216)	1,112,348
FUND BALANCES, BEGINNING OF YEAR	3,755,129	481,563	51,465	4,288,157
FUND BALANCES, END OF YEAR	$ 4,927,856	$ 462,400	$ 10,249	$ 5,400,505

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, 2008

Net change in fund balances - total governmental funds (page 17)		$ 1,112,348
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	$ 677,252	
Loss on disposals	(84,007)	
Depreciation expense	(497,583)	95,662
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.		163,931
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		(194,122)
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		844
Change in net assets of governmental activities (page 14)		$ 1,178,663

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

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.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets - The Agency reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

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, 2008. 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.

NOTE 2 - CASH AND INVESTMENTS

The Agency's deposits in banks at June 30, 2008 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 $7,014,629 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust is rated AAA by Moody's Investors Service.

NOTE 3 - GENERAL OBLIGATION WARRANTS

The Agency has a general obligation warrant through Bankers Trust, a member of FDIC. The warrant is designed to provide funds to entities during periods of cash deficits. Bankers Trust maintains the accounts providing monthly statements regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. A summary of the Agency's warrants as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Restricted Assets	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007	10/01/07	8/28/08	$1,779,913	$ -	$1,750,000	$ 47,025

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

Series	Interest Rates on Warrants	Interest Rate on Restricted Assets
2007	3.600%	5.749%

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 38,600	$ -	$ -	$ 38,600
Capital assets being depreciated:				
Buildings	6,310,530	63,032	-	6,373,562
Furniture and equipment	2,816,527	48,667	-	2,865,194
Library books, videos, and DVD's	2,229,507	565,553	503,262	2,291,798
Total assets being depreciated	11,356,564	677,252	503,262	11,530,554
Less accumulated depreciation for:				
Buildings	1,461,213	126,841	-	1,588,054
Furniture and equipment	2,390,941	144,674	-	2,535,615
Library books, videos, and DVD's	758,266	226,068	419,255	565,079
Total accumulated depreciation	4,610,420	497,583	419,255	4,688,748
Total capital assets, being depreciated, net	6,746,144	179,669	84,007	6,841,806
Governmental activities capital assets, net	$6,784,744	$ 179,669	$ 84,007	$6,880,406

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

Governmental activities:	
Instruction	$ 26,200
Student support services	14,436
Instructional staff support services	299,315
General administration	529
Plant operations and maintenance	141,008
Central and other support services	16,095
Total governmental activities depreciation expense	$ 497,583

NOTE 5 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Certificates of participation	$4,415,000	$ -	$ 135,000	$4,280,000	$ 140,000
Vehicle loan	92,744	-	28,931	63,813	30,679
Compensated absences	2,364,300	484,185	290,063	2,558,422	279,242
Total	$6,872,044	$ 484,185	$ 453,994	$6,902,235	$ 449,921

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:

Year Ending June 30,	Principal	Interest	Total
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	160,000	156,545	316,545
2014-2018	1,105,000	671,065	1,776,065
2019-2023	1,405,000	414,500	1,819,500
2024-2025	1,020,000	76,540	1,096,540
Total	$4,280,000	$2,002,417	$6,282,417

NOTE 5 - CHANGES IN LONG-TERM LIABILITIES (CONTINUED)

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

Vehicle Loan

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

Year Ending June 30,	Principal	Interest	Total
2009	$ 30,679	$ 3,347	$ 34,026
2010	33,134	1,495	34,629
Total	$ 63,813	$ 4,842	$ 68,655

NOTE 6 - 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, 2008.

Year Ending June 30,	Amount
2009	$ 9,000

Total rental expenditures for the year ended June 30, 2008 for all operating leases were $78,000.

NOTE 7 - 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 3.90% of their annual salary and the Agency is required to contribute 6.05% of annual payroll. Contribution requirements are established by State statute. The Agency's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006, were $1,136,983, $1,069,772, and $1,091,267, respectively, equal to the required contributions for each year.

NOTE 8 - 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 one of the claims has been answered and is being defended vigorously. Insurance coverage is being afforded for all other claims.

Self-funded insurance plans
The Agency has self-funded health and dental insurance plans. The Agency purchases commercial insurance to provide for aggregate stop-loss health coverage for 125% of the excess of estimated claims for the plan year that exceed $2,259,107, and specific stop-loss health insurance coverage for claims in excess of $70,000 for any one covered individual during the plan year.

NOTE 8 - RISK MANAGEMENT (CONTINUED)

Self-funded insurance plans (continued)
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 $1,874,030 at June 30, 2008. Changes in the aggregate claims liability for the current year are as follows:

Balance, beginning of year	$1,784,726
Employee paid premiums	2,867,187
Claims paid	(2,489,150)
Fees	(11,460)
Balance, end of year	2,151,303
Claims incurred but not reported	277,273
Insurance claims reserve	$1,874,030

NOTE 9 - NEW PRONOUNCEMENTS

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.

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, 2008

	Actual	Budget Original	Budget Final	Final to Actual Variance - Favorable (Unfavorable)
REVENUES				
Local sources	$ 9,936,373	$ 10,453,539	$ 10,415,845	$ (479,472)
State sources	10,666,415	9,626,918	9,729,563	936,852
Federal sources	11,984,494	13,097,312	13,211,761	(1,227,267)
Total revenues	32,587,282	33,177,769	33,357,169	(769,887)
EXPENDITURES				
Current				
Instruction	2,115,309	2,250,023	2,444,322	329,013
Student support services	15,941,364	17,097,182	16,324,951	383,587
Instructional staff support services	7,243,142	7,804,173	8,251,057	1,007,915
General administration	1,572,659	1,310,102	1,833,932	261,273
Business administration	1,515,757	2,265,958	1,631,138	115,381
Plant operations and maintenance	808,444	685,376	856,590	48,146
Central and other support services	1,959,145	2,572,625	2,244,719	285,574
Debt service	319,114	475,000	319,114	-
Total expenditures	31,474,934	34,460,439	33,905,823	2,430,889
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,112,348	(1,282,670)	(548,654)	1,661,002
OTHER FINANCING SOURCES (USES)				
Operating transfers in	283,377	319,114	317,518	(34,141)
Operating transfers out	(283,377)	(319,114)	(317,518)	34,141
Total other financing sources (uses)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,112,348	(1,282,670)	(548,654)	1,661,002
BALANCE, BEGINNING OF YEAR	4,288,157	9,947,460	5,957,530	(1,669,373)
BALANCE, END OF YEAR	$ 5,400,505	$ 8,664,790	$ 5,408,876	$ (8,371)

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION - BUDGETARY REPORTING
June 30, 2008

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.

For the year ended June 30, 2008, the Agency's expenditures/expenses did not exceed the approved budget.

OTHER SUPPLEMENTAL INFORMATION

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue Juvenile Home	Capital Projects	Total
ASSETS			
Receivables			
Due from other governments	$ 25,678	$ -	$ 25,678
Due from other funds	22,810	-	22,810
TOTAL ASSETS	$ 48,488	$ -	$ 48,488
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Salaries and benefits payable	$ 38,239	$ -	$ 38,239
FUND BALANCES			
Unreserved			
Undesignated	10,249	-	10,249
TOTAL LIABILITIES AND FUND BALANCES	$ 48,488	$ -	$ 48,488

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	Special Revenue Juvenile Home	Capital Projects	Total
REVENUES			
State sources	$ 478,180	$ -	$ 478,180
Federal sources	2,395	-	2,395
Total revenues	480,575	-	480,575
EXPENDITURES			
Current			
Instruction	433,406	-	433,406
General administration	47,169	-	47,169
Plant operations and maintenance	-	41,216	41,216
Total expenditures	480,575	41,216	521,791
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(41,216)	(41,216)
FUND BALANCES, BEGINNING OF YEAR	10,249	41,216	51,465
FUND BALANCES, END OF YEAR	$ 10,249	$ -	$ 10,249

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

	Modified Accrual Basis Years Ended June 30,				
	2008	2007	2006	2005	2004
REVENUES					
Local sources	$ 9,936,373	$ 10,203,859	$ 9,562,624	$ 8,943,963	$ 8,784,708
State sources	10,666,415	9,192,876	8,304,075	8,062,739	7,943,264
Federal sources	11,984,494	12,508,305	14,865,468	15,059,591	12,457,130
TOTAL REVENUES	$ 32,587,282	$ 31,905,040	$ 32,732,167	$ 32,066,293	$ 29,185,102
EXPENDITURES					
Instruction	$ 2,115,309	$ 2,207,853	$ 1,867,586	$ 2,013,323	$ 2,554,533
Student support services	15,941,364	16,246,964	16,804,484	15,193,130	13,646,068
Instructional staff support services	7,243,142	7,074,119	7,592,516	7,555,648	7,173,801
General administration	1,572,659	1,569,033	1,762,107	1,920,696	2,422,493
Business administration	1,515,757	1,671,336	1,638,475	1,716,110	997,908
Plant operations and maintenance	808,444	831,913	1,939,328	768,273	532,223
Central and other support services	1,959,145	2,209,058	1,645,111	1,710,960	1,632,323
Debt service	319,114	3,230,840	614,696	384,238	261,423
TOTAL EXPENDITURES	$ 31,474,934	$ 35,041,116	$ 33,864,303	$ 31,262,378	$ 29,220,772

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2008

GRANTOR/PROGRAM	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Education:			
Passed through State of Iowa, Department of Education:			
Special Education - Grants to States			
Miscellaneous IDEA - Para Education Training	84.027	7K76-09	$ 19,493
Miscellaneous IDEA - IPAT Middle School		41007	1,675
Miscellaneous IDEA - Instructional Decision Making	84.027	7K791DM-09	136,596
Part B - Section 611 LEA Flow through	84.027	8KB2-09	2,714,316
Part B - Section 611 Service to Handicapped	84.027	70709	7,385,224
Part B - Section 611 Parent Educator	84.027	77409	110,179
Part B - Section 611 Diagnostic Evaluations	84.027	7K71-09	16,739
			10,384,222
Part B - Section 619 Preschool Diagnostic	84.173	07619-09	258,943
Part C - Infant and Toddler	84.181	C07-09	279,765
Miscellaneous IDEA - Secondary Professional Development	84.323	SPDG-09	31,357
Miscellaneous IDEA - Second Chance Reading	84.323		8,995
			40,352
Vocational Education - Basic Grants to States			
Title II C - Andrew Consortium	84.048		34,431
Title II C - Bettendorf Consortium	84.048		76,570
Title II C - Camanche Consortium	84.048		20,076
Title II C - Western Consortium	84.048		46,549
			177,626
Enhancing Education Through Technology	84.318		41,353
Fund for the Improvement of Education			
Our Kids	84.215		5,035
English Language Learners	84.365		150,298
Statewide Reading Team	84.357		23,923
Every Learner Inquires	84.367		9,408
Non-Public Staff Development	84.367		2,255
			11,663
Total Indirect			11,373,180

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2008

GRANTOR/PROGRAM	CFDA Number	Grant Number	Expenditures
Direct:			
U.S. Department of Education:			
Safe and Drug Free Schools and Communities - National Programs			
Mentoring	84.184	Q184B050065	$ 308,219
Safe Schools Healthy Students	84.184	Q184L030145	79,397
			387,616
Fund for the Improvement of Education			
Elementary Counseling Drug Free Schools	84.215	Q215E040502	24,004
Total Direct			411,620
TOTAL			$ 11,784,800

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Mississippi Bend Area Education Agency 9 and is presented on the modified accrual basis. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

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

We have audited the 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, 2008, which collectively comprise Agency's basic financial statements and have issued our report thereon dated October 7, 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 as items II-A-08, II-B-08, and II-C-08 to be significant deficiencies 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 the entity's internal control.

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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 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mississippi Bend Area Education Agency 9's financial statements are free of 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, 2008 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 responses 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 them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mississippi Bend Area Education Agency 9 and other parties to whom Mississippi Bend Area Education Agency 9 may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mississippi Bend Area Education Agency 9 during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Clifton Gunderson LLP

Clinton, Iowa
October 7, 2008

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

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

Compliance

We have audited the compliance of Mississippi Bend Area Education Agency 9 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. 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, 2008.

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.

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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 Gunderson LLP

Clinton, Iowa
October 7, 2008

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified? ____ yes __x__ no
- Significant deficiencies identified that are not considered to be material weaknesses? __x__ yes ____ none reported

Noncompliance material to financial statements noted? ____ yes __x__ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ yes __x__ no
- Significant deficiencies identified that are not considered to be material weakness(es)? ____ yes __x__ none reported

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: $ 353,544

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

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Part II: Financial Statement Findings:

Significant Deficiencies:

II-A-08 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.

Section II - Financial Statement Findings: (CONTINUED)

II-B-08 Journal Entries

Criteria - The Agency does not have effective internal controls over journal entries. Internal controls should be in place to reduce to a relatively low risk the likelihood a material misstatement could occur and not be detected. A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition - Currently, one individual has the ability to make journal entries with no formal review process.

Effect - As a result of this condition, there is a higher risk that account balances could be materially misstated.

Cause - The Agency has relied on independent auditor's to some degree to provide assurance that journal entries are accurately recorded and financial statements are not materially misstated.

Recommendation - We recommend that the Agency has another employee review journal entries and supporting documentation on a monthly basis. The reviewer should then sign and date the entries as an indication of approval.

Response - Management will designate another employee to review journal entries and supporting documentation on a monthly basis.

Conclusion - Response accepted.

Section II - Financial Statement Findings: (CONTINUED)

II-C-08 Bank Reconciliations

Criteria - Bank reconciliations should be performed and the reconciled balance per the bank reconciliation should be agreed to the general ledger on a monthly basis for all bank accounts.

Condition - Currently, bank reconciliations are performed timely, however, the reconciled balance per the bank reconciliation may not agree to the general ledger at the end of a month.

Effect - Reports generated from the accounting system may not be as meaningful and errors would not accumulate but could be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

Cause - The Agency has been performing bank reconciliations on a monthly basis and agreeing the reconciliations to the general ledger on an annual basis.

Recommendation - We recommend that the Agency performs bank reconciliations on a monthly basis for all bank accounts on a timely basis agreeing the reconciled balance to the general ledger.

Response - The Agency will perform bank reconciliations on a monthly basis agreeing the reconciled balance to the general ledger.

Conclusion - Response accepted.

Instances of Non-compliance:

No matters were noted.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

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, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Budget - Expenditures during the year ended June 30, 2008 did not exceed the amount budgeted.

IV-B-08 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-08 Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

IV-D-08 Business Transactions - No business transactions between the Agency and Agency officials or employees were noted.

IV-E-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 insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes - No transactions requiring Board approval were noted which had not been approved.

IV-G-08 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.

IV-H-08 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, 2008

Comment Reference	Comment Title	Status
No matters were noted.		

MISSISSIPPI BEND AREA EDUCATION AGENCY 9
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2008

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

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