



GRANT WOOD AREA EDUCATION AGENCY 10
Cedar Rapids, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008



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GRANT WOOD AREA EDUCATION AGENCY 10

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Directors:		
James C. Green	President	2010
Dr. Lynne Cannon	Vice President	2010
Janet Martin	Director	2010
Marlene L. Hill	Director	2008
Robert Schneider	Director	2008
Mary Meisterling	Director	2008
Randall W. Jordison	Director	2009
Sue Gates	Director	2009
Morris Greenfield	Director	2009
Agency:		
Ronald S. Fielder	Chief Administrator	
Barbara Harms	Business Manager/Treasurer	
Kim Martin	Board Secretary	

Independent Auditor's Report

Board of Directors
Grant Wood Area Education Agency 10
Cedar Rapids, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grant Wood Area Education Agency 10 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Grant Wood Area Education Agency 10 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 March 27, 2009 on our consideration of Grant Wood Area Education Agency 10'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 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 10 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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. 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 Grant Wood Area Education Agency 10'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 eight 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 through 5, including the accompanying 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 the 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 Gundersen LLP

Cedar Rapids, Iowa
March 27, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Grant Wood Area Education Agency 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

- On June 11th - 14th 2008, the City of Cedar Rapids and other areas of eastern Iowa experienced a flood event of epic magnitude. Damages to the Agency's main facility and contents at the time of this publication are estimated at \$3.1 million. Additional information is included in the Notes to the Financial Statements.
- General Fund Revenues increased from \$39,835,175 in fiscal year 2007 (FY07) to \$43,489,428 in fiscal year 2008 (FY08), while General Fund Expenditures increased from \$39,107,992 in FY07 to \$43,383,653 in FY08. General Fund net change in fund balance decreased from \$365,636 in FY07 to \$(145,938) in FY08. This resulted in a decrease in the Agency's General Fund fund balance from \$3,847,070 in FY07 to \$3,701,132 in FY08.
- The increase in General Fund revenues was attributable to increased state controlled funding and local grant and sale of services revenue in FY08. The increase in expenditures was due primarily to an increase in services provided to local school districts and costs associated with increased salaries and benefits. Expenditures incurred for flood clean-up and recovery prior to 6/30/08 were \$1,011,943.

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 Agency-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Grant Wood Area Education Agency 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 agency-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 Agency-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 Agency-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.

In the Agency-wide financial statements, there are two categories of activities:

- *Governmental activities:* Represent basic Agency services; such as regular and special education instructions, student and instructional staff support services and administration. Property taxes from local school districts, federal and state aid finance most of these activities. All of Grant Wood Area Education Agency's services fall into this category.
- *Business-type activities:* Represent activities where the Agency charges fees to cover the costs of providing the service. The Agency has no activities that fall into this category.

The 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 two kinds of funds:

- 1) *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 Agency-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, and 3) the Debt Service Fund.

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

- 2) *Fiduciary funds* account for assets held by the Agency as an agent for individuals, private organizations, or other governments that cannot be used to support their own governmental activities or programs. The fiduciary funds held by Grant Wood are agency fund types, held on a temporary, purely custodial basis, therefore, these activities are not included in the Agency's agency-wide financial statements.

The fiduciary funds required financial statements include a statement of fiduciary net assets and a statement of changes in fiduciary net assets. However agency type funds do not have net assets, therefore, the statement of changes in net assets is not prepared.

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

AGENCY-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Grant Wood Area Education Agency's net assets at the end of fiscal year 2008 totaled approximately \$8.5 million. This compared to approximately \$8.8 million at the end of fiscal 2007. The analysis that follows focuses on the net assets and changes in net assets. The agency does not have business-type activities.

	Condensed Statement of Net Assets (In Thousands)	
	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 11,540	\$ 10,908
Capital assets	<u>5,838</u>	<u>6,099</u>
Total assets	<u>17,378</u>	<u>17,007</u>
Long-term obligations	1,737	1,926
Other liabilities	<u>7,137</u>	<u>6,294</u>
Total liabilities	<u>8,874</u>	<u>8,220</u>
Net assets:		
Invested in capital assets, net of related debt	4,398	4,459
Restricted	1,272	1,342
Unrestricted	<u>2,834</u>	<u>2,986</u>
Total net assets	<u>\$ 8,504</u>	<u>\$ 8,787</u>

The Agency's combined net assets decreased by approximately \$282,926 during fiscal year 2008 due to depreciation of capital assets and an increase in other liabilities for flood clean-up costs.

The following analysis details the changes in net assets of Grant Wood Area Education Agency's activities.

	Changes in Net Assets (In Thousands)			
	Governmental Activities			
	<u>2008</u>	<u>%</u>	<u>2007</u>	<u>%</u>
Revenues:				
Program revenues:				
Charges for services	\$ 5,797	13%	\$ 5,924	14%
Operating grants and contributions	17,682	38%	15,367	36%
General revenues:				
Property taxes passed through district	10,154	22%	9,646	23%
State foundation aid	12,270	26%	11,250	26%
Unrestricted investment earnings	<u>87</u>	<u>1%</u>	<u>107</u>	<u>1%</u>
Total revenues	<u>45,990</u>	<u>100%</u>	<u>42,294</u>	<u>100%</u>
Program expenses:				
Instruction	3,432	7%	3,220	8%
Student support services	19,219	42%	17,616	41%
Instructional staff support services	12,485	27%	11,546	27%
General administration	1,489	3%	1,862	4%
Building administration	1,991	4%	1,938	4%
Business administration	4,417	8%	3,999	9%
Plant operations and maintenance	1,720	3%	767	1%
Central and other support services	(8)	1%	132	1%
Non-instructional programs	1,414	3%	1,156	3%
Unallocated	43	1%	88	1%
Long-term debt interest	<u>71</u>	<u>1%</u>	<u>75</u>	<u>1%</u>
Total expenses	<u>46,273</u>	<u>100%</u>	<u>42,399</u>	<u>100%</u>
Change in net assets	(283)		(105)	
Net assets, beginning of year	<u>8,787</u>		<u>8,892</u>	
Net assets, end of year	<u>\$ 8,504</u>		<u>\$ 8,787</u>	

Increases in controlled funding in both property taxes and state aid account for the majority of the increase in total revenues. The increase in total expenses are primarily in the categories of instruction, student support services, instructional staff support services and plant operations and maintenance.

Governmental Activities

Revenues for governmental activities were \$45,990,154 in FY08 and \$42,293,836 in FY07 and expenses were \$46,273,080 in FY08 and \$42,398,143 in FY07. Unanticipated expenses for flood clean-up resulted in the Agency needing to utilize some of the available net assets at the end of the fiscal year.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

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

The Agency's Governmental Funds reported combined fund balances of \$4,474,602, below last year's ending fund balances of \$4,736,425. The decrease was primarily in the General Fund and occurred due to expenditure levels (9.1% increase) that exceeded the growth of revenues (8.7% increase) due to flood-related costs.

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 an increase in federal grant funding and 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the Agency had invested \$5.8 million, net of accumulated depreciation, 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 \$260,000 from last year.

Grant Wood Area Education Agency had depreciation expense of \$1,017,404 in FY08 and total accumulated depreciation of \$9,118,674 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 \$1,737,300 in long-term debt outstanding compared to \$1,925,700 at June 30, 2007. The long-term debt is in the form of certificates of participation and early retirement benefit payable. More detailed information about the Agency's long-term liabilities is available in Note 5 to the financial statements.

ECONOMIC FACTORS BEARING ON THE AGENCY'S FUTURE

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:

- During June 2008, the City of Cedar Rapids experienced a historical flood event. The flood damaged an estimated 5,390 homes, as well as 1,133 businesses and 486 non-profit organizations. The damage estimates for the Agency's main facility at 4401 6th Street SW and contents at the time of this publication is over \$3.1 million. The Grant Wood Area Education Agency qualifies for Public Assistance benefits under guidelines established by the Federal Emergency Management Agency (FEMA). Due to the magnitude of flood and storm damages in the State of Iowa, FEMA is expected to pay 90% of eligible losses with the State of Iowa paying 10% of the damages incurred. There will be other incidental costs as a result of the flooding that may have an adverse financial impact upon the Agency, such as enrollment losses in local districts.
- Due to the impact of the national economic recession, the state budget outlook has become an area of concern. Cuts in state funding are a strong possibility and the Agency will need to consider cost saving measures in its budget planning.
- The Agency has experienced an increase in the number of students being served by its programs for the past five years. A slight increase in enrollment is expected and included in the FY09 budget.
- Federal funds, which make up approximately 35% of General Fund revenues, are expected to show little or no growth for FY09. If this trend continues, it will have a significant impact on the Agency.
- In recent years, growth in employee wages and benefits has outpaced the increase in State controlled funding. This relationship has profound effects on the General Fund budget as 70% of all expenditures are related to staff salaries and benefits. At this point, staff reductions based on attrition are anticipated for fiscal year 2010.

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 Grant Wood Area Education Agency, 1120 33rd Avenue SW, Cedar Rapids, Iowa 52404.

BASIC FINANCIAL STATEMENTS

GRANT WOOD AREA EDUCATION AGENCY 10
STATEMENT OF NET ASSETS
June 30, 2008

Exhibit A

ASSETS

Cash and pooled investments	\$ 4,696,834
Receivables:	
Accounts	90,852
Due from other governments	6,579,963
Inventories	42,305
Prepaid expenses	129,667
Capital assets, net of accumulated depreciation	<u>5,838,281</u>
Total assets	<u>17,377,902</u>

LIABILITIES

Accounts payable	3,044,336
Salaries and benefits payable	2,079,799
Agency fund payable	364,546
Warrants in excess of bank balance	1,311,879
Accrued other	208,207
Deferred revenue:	
Local	56,252
Long-term liabilities:	
Portion due or payable within one year:	
Early retirement benefits payable	73,500
Compensated absences	71,286
Certificates of participation	195,000
Portion due or payable after one year:	
Early retirement benefits payable	223,800
Certificates of participation	<u>1,245,000</u>
Total liabilities	<u>8,873,605</u>

NET ASSETS

Invested in capital assets, net of related debt	4,398,281
Restricted for:	
Media materials	373,458
Educational service projects	453,058
Special education instruction	154,719
Debt service	290,538
Unrestricted	<u>2,834,243</u>
Total net assets	<u>\$ 8,504,297</u>

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

GRANT WOOD AREA EDUCATION AGENCY 10
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Exhibit B

	Program revenues		Net Revenue (Expense) and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions
FUNCTIONS / PROGRAMS			Governmental Activities
Governmental activities:			
Instruction	\$ 3,432,025	\$ 1,823,251	\$ 2,040,250
Student support services	19,218,828	647,021	14,152,565
Instructional staff support services	12,485,284	1,762,608	870,234
General administration	1,488,989	59,343	-
Building administration	1,990,916	8,528	5,000
Business administration	4,416,903	13,170	-
Plant operations and maintenance	1,719,879	515	-
Central and other support services	(7,503)	1,396,743	219,575
Non instructional programs	1,414,177	-	-
Unallocated	42,559	85,808	394,853
Debt Service	71,023	-	-
	<u>\$ 46,273,080</u>	<u>\$ 5,796,987</u>	<u>\$ 17,682,477</u>
Total governmental activities			<u>(22,793,616)</u>
GENERAL REVENUES			
Property taxes passed through from districts			10,154,150
State foundation aid			12,269,504
Unrestricted investment earnings			87,036
Total general revenues			<u>22,510,690</u>
CHANGE IN NET ASSETS			<u>(282,926)</u>
NET ASSETS, BEGINNING OF YEAR			<u>8,787,223</u>
NET ASSETS, END OF YEAR			<u>\$ 8,504,297</u>

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

GRANT WOOD AREA EDUCATION AGENCY 10
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

Exhibit C

	<u>General</u>	<u>Special Revenue Off-Site Programs</u>	<u>Nonmajor</u>	<u>Total</u>
ASSETS				
Cash and pooled investments	\$ 4,007,174	\$ -	\$ 689,660	\$ 4,696,834
Receivables:				
Accounts	90,852	-	-	90,852
Due from other governments	4,936,992	1,642,971	-	6,579,963
Inventories	42,305	-	-	42,305
Prepaid expenses	129,667	-	-	129,667
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 9,206,990</u>	<u>\$ 1,642,971</u>	<u>\$ 689,660</u>	<u>\$ 11,539,621</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,951,077	\$ 92,634	\$ 625	\$ 3,044,336
Salaries and benefits payable	1,957,119	83,739	38,941	2,079,799
Agency fund payable	364,546	-	-	364,546
Warrants in excess of bank balance	-	1,311,879	-	1,311,879
Accrued other	208,207	-	-	208,207
Deferred revenue:				
Local	24,909	-	31,343	56,252
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>5,505,858</u>	<u>1,488,252</u>	<u>70,909</u>	<u>7,065,019</u>
 Fund balances:				
Reserved for:				
Encumbrances	522,218	-	-	522,218
Inventories	42,305	-	-	42,305
Debt service	-	-	290,538	290,538
Unreserved:				
Designated for subsequent years expenditures	1,077,523	-	-	1,077,523
Undesignated, reported in:				
General fund	2,059,086	-	-	2,059,086
Special revenue funds	-	154,719	49,365	204,084
Debt service fund	-	-	278,848	278,848
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>3,701,132</u>	<u>154,719</u>	<u>618,751</u>	<u>4,474,602</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 9,206,990</u>	<u>\$ 1,642,971</u>	<u>\$ 689,660</u>	<u>\$ 11,539,621</u>

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

GRANT WOOD AREA EDUCATION AGENCY 10
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2008

Exhibit D

Total fund balances of governmental funds (page 14) \$ 4,474,602

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds 5,838,281

Long-term liabilities, including certificates of participation, compensated absences and early retirement benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds (1,808,586)

Net assets of governmental activities (page 13) \$ 8,504,297

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

GRANT WOOD AREA EDUCATION AGENCY 10
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

Exhibit E

	<u>General</u>	<u>Special Revenue Off-Site Programs</u>	<u>Nonmajor</u>	<u>Total</u>
REVENUES				
Local sources	\$ 14,218,732	\$ 1,808,379	\$ 11,066	\$ 16,038,177
State sources	14,068,355	10,825	670,456	14,749,636
Federal sources	<u>15,202,341</u>	<u>-</u>	<u>-</u>	<u>15,202,341</u>
 Total revenues	 <u>43,489,428</u>	 <u>1,819,204</u>	 <u>681,522</u>	 <u>45,990,154</u>
 EXPENDITURES				
Instruction	834,305	1,845,806	751,495	3,431,606
Student support services	19,216,300	-	-	19,216,300
Instructional staff support services	12,361,673	-	-	12,361,673
General administration	1,444,593	-	-	1,444,593
Building administration	1,990,916	-	-	1,990,916
Business administration	4,402,141	-	-	4,402,141
Plant operations and maintenance	1,712,287	-	-	1,712,287
Central and other support services	9,432	-	-	9,432
Non instructional programs	1,412,006	-	-	1,412,006
Debt service	<u>-</u>	<u>-</u>	<u>271,023</u>	<u>271,023</u>
 Total expenditures	 <u>43,383,653</u>	 <u>1,845,806</u>	 <u>1,022,518</u>	 <u>46,251,977</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>105,775</u>	 <u>(26,602)</u>	 <u>(340,996)</u>	 <u>(261,823)</u>
 OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	251,713	251,713
Transfers out	<u>(251,713)</u>	<u>-</u>	<u>-</u>	<u>(251,713)</u>
 Total other financing sources (uses)	 <u>(251,713)</u>	 <u>-</u>	 <u>251,713</u>	 <u>-</u>
 Excess of revenues and other financing sources (uses) over (under) expenditures	 <u>(145,938)</u>	 <u>(26,602)</u>	 <u>(89,283)</u>	 <u>(261,823)</u>
 FUND BALANCES, BEGINNING OF YEAR	 <u>3,847,070</u>	 <u>181,321</u>	 <u>708,034</u>	 <u>4,736,425</u>
 FUND BALANCES, END OF YEAR	 <u>\$ 3,701,132</u>	 <u>\$ 154,719</u>	 <u>\$ 618,751</u>	 <u>\$ 4,474,602</u>

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

GRANT WOOD AREA EDUCATION AGENCY 10
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Exhibit F

Net change in fund balances - Total governmental funds (page 16) \$ (261,823)

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 785,371	
Depreciation expense	(1,017,404)	
Loss on dispositions	<u>(28,220)</u>	(260,253)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities 200,000

Compensated absences and early retirement benefit expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, were not reported as expenditures in the governmental funds 39,150

Change in net assets of governmental activities (page 13) \$ (282,926)

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

GRANT WOOD AREA EDUCATION AGENCY 10
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - AGENCY
June 30, 2008

Exhibit G

ASSETS

Accounts receivable	\$ 121,622
Due from other governments	19,351
General fund receivable	<u>364,546</u>

Total assets \$ 505,519

LIABILITIES

Accounts payable	\$ 17,097
Salaries payable	1,851
Deferred revenue	63,433
Deposits held in custody of others	<u>423,138</u>

Total liabilities \$ 505,519

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

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(1) Summary of Significant Accounting Policies

Grant Wood Area Education Agency 10 (Agency) 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 68 school districts and private schools in a seven-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, Grant Wood Area Education Agency 10 has included all funds, organizations, account groups, 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. Grant Wood Area Education Agency 10 has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Agency-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.

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(1) **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds. The 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 Special Revenue - Off-site Programs fund is used to account for special education instruction costs held off-site. The actual costs of providing instructional services are billed to the individual school districts.

The Agency reports the following nonmajor governmental funds:

The Special Revenue - Pool Transportation Fund is used to account for the transportation costs shared by districts included in the special education pool.

The Special Revenue - Juvenile Home Fund is used to account for the special education instruction costs provided to the Juvenile Home. The actual costs of providing instructional services is billed to the State of Iowa.

The Debt Service Fund is used to account for the accumulation of resources for and the payment of long-term debt principal, interest and related costs.

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(1) **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation (continued)

The Agency Funds are used to account for assets held by the Agency as an agent for individuals, private organizations, and other governments. The Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The Agency-wide financial statements are reported using the economic resources measurement focus. The Agency-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Use of Estimates in Preparing Financial Statements

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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(1) **Summary of Significant Accounting Policies** (continued)

E. Assets, Liabilities and Fund Equity

Cash and Pooled Investments - Cash includes amounts in demand deposits and money market funds. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized 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 consumption.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental activities columns in the Agency-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment	1,000
Library books and film	Cost

Property, 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:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Furniture and equipment	5
Library books and film	10

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(1) **Summary of Significant Accounting Policies** (continued)

E. Assets, Liabilities and Fund Equity (continued)

Salaries and Benefits Payable - Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Deferred revenue represents an excess of cash advances by the funding source over accrued expenditures at year end.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation 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 balances. 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.

Early Retirement Benefit Payable - In the Agency-wide statement of net assets, this account represents the present value of the expected health and life insurance costs payable on behalf of employees who elect to retire early.

Long-term Obligations - In the Agency-wide financial statements, long-term debt and other long-term obligations are reported as liabilities 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 Agency-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.

(2) **Cash and Pooled 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. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(2) Cash and Pooled Investments (continued)

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 investments at June 30, 2008 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Money market held at brokerage firm	\$ <u>190,685</u>	\$ <u>190,685</u>

The Agency had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$96,330 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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) in 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.

Credit risk. The investment in the Iowa Schools Joint Investment Trust is rated Aaa by Moody's Investors Service.

(3) Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>260,155</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>260,155</u>
Capital assets being depreciated:				
Buildings	5,944,794	-	-	5,944,794
Leasehold improvements	611,686	-	-	611,686
Furniture and equipment	3,943,207	589,795	262,588	4,270,414
Library books and film	<u>4,098,369</u>	<u>195,576</u>	<u>424,039</u>	<u>3,869,906</u>
Total assets being depreciated	<u>14,598,056</u>	<u>785,371</u>	<u>686,627</u>	<u>14,696,800</u>

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(3) **Capital Assets** (continued)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Less accumulated depreciation for:				
Buildings	2,718,657	118,896	-	2,837,553
Leasehold improvements	141,018	30,584	-	171,602
Furniture and equipment	2,613,956	480,934	234,368	2,860,522
Library books and film	<u>3,286,046</u>	<u>386,990</u>	<u>424,039</u>	<u>3,248,997</u>
Total accumulated depreciation	<u>8,759,677</u>	<u>1,017,404</u>	<u>658,407</u>	<u>9,118,674</u>
Total capital assets being depreciated, net	<u>5,838,379</u>	<u>(232,033)</u>	<u>28,220</u>	<u>5,578,126</u>
Governmental activities capital assets, net	<u>\$6,098,534</u>	<u>\$ (232,033)</u>	<u>\$ 28,220</u>	<u>\$5,838,281</u>

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

Governmental activities:	
Instruction	\$ 1,639
Student support services	9,883
Instructional staff support services	483,231
General administration	173,555
Business administration	12,361
Plant operations and maintenance	29,682
Central and other support services	132,193
Non instructional programs	8,488
Unallocated	<u>166,372</u>
Total governmental activities depreciation expense	<u>\$1,017,404</u>

(4) **Changes in Short-Term Liabilities**

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year
Anticipatory warrants	<u>\$ -</u>	<u>\$2,500,000</u>	<u>\$2,500,000</u>	<u>\$ -</u>

The proceeds of the anticipatory warrants were used to cover temporary operating shortfalls.

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(5) Changes in Long-Term Liabilities

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Early retirement benefit payable	\$ 285,700	\$ 71,244	\$ 59,644	\$ 297,300	\$ 73,500
Compensated absences	122,036	-	50,750	71,286	71,286
Certificates of participation	<u>1,640,000</u>	<u>-</u>	<u>200,000</u>	<u>1,440,000</u>	<u>195,000</u>
	<u>\$2,047,736</u>	<u>\$ 71,244</u>	<u>\$ 310,394</u>	<u>\$1,808,586</u>	<u>\$ 339,786</u>

Early Retirement Benefit Payable

See Note 10 for a description of the plan. The following is a schedule by year of the future estimated minimum payments required:

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 73,500
2010	66,600
2011	58,500
2012	43,200
2013	29,000
2014-2017	<u>26,500</u>
Total	<u>\$ 297,300</u>

Certificates of Participation

The Agency has sold certificates of participation for land, facilities and improvements. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over a period of fifteen years with interest rates ranging from 2.55% to 5.15%. The following is a schedule by year of the future minimum payments required:

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(5) Changes in Long-Term Liabilities (continued)

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 195,000	\$ 63,866	\$ 258,866
2010	150,000	56,066	206,066
2011	230,000	49,990	279,990
2012	235,000	40,652	275,652
2013	60,000	31,032	91,032
2014-2018	330,000	111,102	441,102
2019-2021	<u>240,000</u>	<u>25,085</u>	<u>265,085</u>
Total	<u>\$ 1,440,000</u>	<u>\$ 377,793</u>	<u>\$ 1,817,793</u>

Payments for the certificates of participation for the year ended June 30, 2008, including interest, totaled \$271,023.

Advance Refunding

On May 31, 2005, the Agency issued \$1,075,000 in Certificates of Participation with interest rates ranging from 3.50% to 4.00%, to refund \$1,160,000 of outstanding 1997 Certificates of Participation with interest rates ranging from 4.90% to 5.25%, prior to maturity. Net proceeds of \$1,083,900 were received after payment of underwriting fees, insurance, and other issuance costs. As a result, the 1997 Certificates are considered to be in-substance defeased and the liability for those Certificates has been removed from the Agency-wide financial statements.

The Agency refunded the 1997 Certificates to reduce its total debt service payments over the next seven years by approximately \$163,235 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$80,900. The outstanding balance of the debt defeased totaled \$710,000 as of June 30, 2008.

(6) Operating Leases

The Agency has leased office equipment and 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 July 2008 and June 2012. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties and equipment. In most cases, management expects that the leases will be renewed or replaced by other leases.

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(6) Operating Leases (continued)

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:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2009	\$ 233,365
2010	212,516
2011	204,866
2012	<u>204,866</u>
Total	<u>\$ 855,613</u>

The 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 \$241,242.

(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 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 contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$1,573,362, \$1,375,203, and \$1,344,916, respectively, equal to the required contributions for each year.

(8) Interfund Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfer to debt service fund from general fund for debt service payments	<u>\$ 251,713</u>
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GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(9) Risk Management

Grant Wood Area Education Agency 10 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.

(10) Commitments and Contingencies

Employee benefits - Employees accumulate sick pay based upon months of service. Unused sick days may be carried forward until needed by the employee. Upon termination, retirement or death, unused days are forfeited; therefore no accrual is required.

Post employment benefits - The Agency has adopted an early retirement program for its employees. To be eligible, an employee must (1) have 20 years of continuous service, (2) not be receiving disability payments, and (3) be at least age 58. The employee must also elect to retire within three years upon first becoming eligible. The retirement benefit is equal to 50% of the average annual pay of the employee's highest three fiscal years. The retirement benefit shall be paid in one or two lump sum payments into the employee's account under the Special Pay Deferral 403(b) Plan. In the event of death of the employee prior to the payment of the retirement benefit, a lump sum payment of the amount due shall be made to the designated beneficiary. Early retirement benefits paid to thirteen participants during the year ended June 30, 2008 totaled \$362,520.

The Agency will continue to provide life insurance benefits up to the age of 65 and contribute up to \$140 of single coverage monthly premium cost toward the purchase of group medical, dental and/or vision insurance. The cost of retiree health care and life insurance benefits is recognized as claims and premiums are paid. Health care and life insurance claims and premiums paid for thirty-seven participants totaled \$59,644. After applying a discount rate of 5.15%, the present value of the Agency's early retirement benefits payable at June 30, 2008 totaled \$297,300. See Note 5 for changes in the long-term liability.

Construction projects - Contractual commitments for construction projects entered into after June 30, 2008 related to the Flood of 2008 total \$1,642,596.

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(11) Flood of 2008

During June 2008, the City of Cedar Rapids experienced a historical flood event. The flood damaged an estimated 5,390 homes, as well as 1,133 businesses and 486 non-profit organizations. The damage estimates for the Agency's main facility at 4401 6th Street SW and contents at the time of this publication is over \$3.1 million. The Grant Wood Area Education Agency qualifies for Public Assistance benefits under guidelines established by the Federal Emergency Management Agency (FEMA). Due to the magnitude of flood and storm damages in the State of Iowa, FEMA is expected to pay 90% of eligible losses with the State of Iowa paying 10% of the damages incurred. There will be other incidental costs as a result of the flooding that may have an adverse financial impact upon the Agency, such as enrollment losses in local districts.

(12) New Pronouncements

As of June 30, 2008, the Governmental Accounting Standards Board had issued several statements not yet implemented by the Agency. The statement, which might impact the Agency, is as follows:

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. This Statement requires governments to report any liability associated with providing employees 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 this Statement will have on the Agency's financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION

GRANT WOOD AREA EDUCATION AGENCY 10
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	<u>Actual</u>	<u>Budget</u>		<u>Final to Actual Variance - Favorable (Unfavorable)</u>
		<u>Original</u>	<u>Final</u>	
REVENUES				
Local sources	\$ 16,038,177	\$ 14,873,822	\$ 15,647,284	\$ 390,893
State sources	14,749,636	14,115,212	14,802,825	(53,189)
Federal sources	<u>15,202,341</u>	<u>14,111,271</u>	<u>15,281,262</u>	<u>(78,921)</u>
Total revenues	<u>45,990,154</u>	<u>43,100,305</u>	<u>45,731,371</u>	<u>258,783</u>
EXPENDITURES				
Instruction	3,431,606	2,781,647	2,991,584	(440,022)
Student support services	19,216,300	17,194,283	18,725,004	(491,296)
Instructional staff support services	12,361,673	13,350,000	12,980,279	618,606
General administration	1,444,593	1,650,000	2,088,082	643,489
Building administration	1,990,916	2,102,158	2,078,784	87,868
Business administration	4,402,141	3,045,000	3,401,602	(1,000,539)
Plant operations and maintenance	1,712,287	848,300	906,811	(805,476)
Central and other support services	9,432	977,200	862,472	853,040
Non instructional programs	1,412,006	1,080,000	1,343,927	(68,079)
Debt service	<u>271,023</u>	<u>375,000</u>	<u>275,000</u>	<u>3,977</u>
Total expenditures	<u>46,251,977</u>	<u>43,403,588</u>	<u>45,653,545</u>	<u>(598,432)</u>
Excess (deficiency) of revenues over (under) expenditures	(261,823)	(303,283)	77,826	(339,649)
OTHER FINANCING SOURCES, NET	<u>-</u>	<u>19,283</u>	<u>64,689</u>	<u>(64,689)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	<u>(261,823)</u>	<u>(284,000)</u>	<u>142,515</u>	<u>(404,338)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>4,736,425</u>	<u>4,798,174</u>	<u>4,736,421</u>	<u>4</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,474,602</u>	<u>\$ 4,514,174</u>	<u>\$ 4,878,936</u>	<u>\$ (404,334)</u>

The accompanying note to required supplementary information is an integral part of this schedule.

GRANT WOOD AREA EDUCATION AGENCY 10
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 accounting principles generally accepted in the United States of America. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure/expense level, not by fund. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

During the year ended June 30, 2008, disbursements exceeded the amount budgeted by \$339,649. due to unanticipated costs related to flood clean-up and recovery in June 2008.

OTHER SUPPLEMENTARY INFORMATION

GRANT WOOD AREA EDUCATION AGENCY 10
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2008

Schedule 1

	<u>Special Revenue</u>			
	<u>Pool Transportation</u>	<u>Juvenile Home</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS				
Cash and pooled investments	\$ 49,365	\$ 70,909	\$ 569,386	\$ 689,660
Accounts receivable	-	-	-	-
Total assets	\$ 49,365	\$ 70,909	\$ 569,386	\$ 689,660
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	625	-	\$ 625
Salaries and benefits payable	-	38,941	-	38,941
Deferred Revenue: Local	-	31,343	-	31,343
Total liabilities	-	70,909	-	70,909
Fund Balances				
Reserved:				
Debt service	-	-	290,538	290,538
Unreserved, undesignated	49,365	-	278,848	328,213
Total fund balances	49,365	-	569,386	618,751
Total liabilities and fund balances	\$ 49,365	\$ 70,909	\$ 569,386	\$ 689,660

GRANT WOOD AREA EDUCATION AGENCY 10
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2008

Schedule 2

	<u>Special Revenue</u>			
	<u>Pool Transportation</u>	<u>Juvenile Home</u>	<u>Debt Service</u>	<u>Total</u>
REVENUES				
Local sources	\$ -	\$ -	\$ 11,066	\$ 11,066
State sources	-	670,456	-	670,456
Total revenues	-	670,456	11,066	681,522
EXPENDITURES				
Instruction	81,039	670,456	-	751,495
Debt service	-	-	271,023	271,023
Total expenditures	81,039	670,456	271,023	1,022,518
Deficiency of revenues over expenditures	(81,039)	-	(259,957)	(340,996)
OTHER FINANCING SOURCES				
Transfers in	-	-	251,713	251,713
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(81,039)	-	(8,244)	(89,283)
FUND BALANCES, BEGINNING OF YEAR	130,404	-	577,630	708,034
FUND BALANCES, END OF YEAR	\$ 49,365	\$ -	\$ 569,386	\$ 618,751

GRANT WOOD AREA EDUCATION AGENCY 10
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2008

Schedule 3

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2008</u>
ASSETS				
Accounts receivable	\$ 224,863	\$ 855,369	\$ 958,610	\$ 121,622
Due from other governments	76,662	-	57,311	19,351
General fund receivable	<u>376,984</u>	<u>1,015,921</u>	<u>1,028,359</u>	<u>364,546</u>
Total assets	<u>\$ 678,509</u>	<u>\$ 1,871,290</u>	<u>\$ 2,044,280</u>	<u>\$ 505,519</u>
LIABILITIES				
Accounts payable	\$ 154,374	\$ 558,035	\$ 695,312	\$ 17,097
Salaries payable	19,761	324,572	342,482	1,851
Accrued other	-	47,473	47,473	-
General fund payable	6,510	-	6,510	-
Deferred revenue	-	63,433	-	63,433
Deposits held in custody of others	<u>497,864</u>	<u>-</u>	<u>74,726</u>	<u>423,138</u>
Total liabilities	<u>\$ 678,509</u>	<u>\$ 993,513</u>	<u>\$ 1,166,503</u>	<u>\$ 505,519</u>

GRANT WOOD AREA EDUCATION AGENCY 10
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
For the Last Nine Years Ended June 30

	<u>2008</u>	<u>2007 *</u>	<u>2006 *</u>	<u>2005</u>
REVENUES				
Local sources	\$ 16,038,177	\$ 15,041,418	\$ 13,983,285	\$ 13,132,227
State sources	14,749,636	12,264,922	11,178,373	10,603,900
Federal sources	<u>15,202,341</u>	<u>14,987,496</u>	<u>15,511,872</u>	<u>14,849,789</u>
 Total revenues	 <u>\$ 45,990,154</u>	 <u>\$ 42,293,836</u>	 <u>\$ 40,673,530</u>	 <u>\$ 38,585,916</u>
 EXPENDITURES				
Instruction	\$ 3,431,606	\$ 3,218,572	\$ 2,861,860	\$ 2,895,016
Student support services	19,216,300	17,612,480	16,334,283	21,842,877
Instructional staff support services	12,361,673	11,276,485	12,251,021	5,320,170
General administration	1,444,593	1,781,740	1,282,735	1,330,034
Building administration	1,990,916	1,937,768	1,612,866	1,400,136
Business administration	4,402,141	3,887,997	3,866,531	1,176,309
Plant operations and maintenance	1,712,287	757,681	661,940	894,915
Central and other support services	9,432	10,979	190,256	2,898,370
Non instructional programs	1,412,006	1,151,924	1,065,020	59,409
Debt service	271,023	279,755	290,239	1,464,930
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures	 <u>\$ 46,251,977</u>	 <u>\$ 41,915,381</u>	 <u>\$ 40,416,751</u>	 <u>\$ 39,282,166</u>

* Comparability between categories was affected by changes in the standard chart of accounts that is mandated by the State of Iowa.

Schedule 4

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 13,037,224	\$ 12,209,133	\$ 11,696,661	\$ 12,103,600	\$ 11,668,431
10,300,970	11,591,250	12,315,824	11,676,799	11,119,744
<u>13,003,285</u>	<u>10,971,592</u>	<u>8,943,745</u>	<u>7,402,194</u>	<u>6,240,063</u>
<u>\$ 36,341,479</u>	<u>\$ 34,771,975</u>	<u>\$ 32,956,230</u>	<u>\$ 31,182,593</u>	<u>\$ 29,028,238</u>
\$ 2,935,981	\$ 2,552,239	\$ 2,118,616	\$ 2,092,620	\$ 1,710,317
20,282,887	19,352,674	17,854,011	16,197,220	15,306,517
4,792,394	4,671,453	4,964,877	4,776,570	4,514,023
1,052,261	1,169,882	1,339,004	1,465,115	1,148,793
1,413,081	1,262,465	1,261,330	1,370,224	1,183,169
1,006,928	1,131,737	1,058,055	1,013,489	922,158
891,464	1,022,349	844,929	665,166	556,307
3,377,635	2,806,745	3,534,387	2,714,479	2,682,164
678	31,145	32,558	238	717
287,408	288,311	415,756	393,507	204,024
<u>51,996</u>	<u>95,641</u>	<u>1,383,963</u>	<u>322,156</u>	<u>12,564</u>
<u>\$ 36,092,713</u>	<u>\$ 34,384,641</u>	<u>\$ 34,807,486</u>	<u>\$ 31,010,784</u>	<u>\$ 28,240,753</u>

See independent auditor's report.

GRANT WOOD AREA EDUCATION AGENCY 10
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Schedule 5

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Expenditures</u>
Direct:			
U.S. Department of Education:			
Fund for the Improvement of Education			
Foundation for Learning	84.215H	Q215H050011	\$ 49,521
Safe and Drug-Free Schools and			
Communities - National Programs			
Prep Project	84.184E	Q184E050027	<u>234,615</u>
			<u>284,136</u>
Indirect:			
U.S. Department of Education:			
Iowa Department of Education:			
Special Education - Grants to States	84.027*		
Preschool Handicapped Program			
IDEA Preschool		070810	9,467,008
Information Management Systems		7K70-IMS	188,345
Diagnostic and Evaluation			
Entitlement Program			2,979
Parent Educator Connection		77410	137,888
Paraeducator Training Project		7K76-10	23,433
Instructional Decision Making		7K791DM-10	91,673
Instructional Decision Making		7K791DM-10-	
		STATE	72,055
IDEA - Flowthrough to LEA		8KB2-10	<u>3,494,283</u>
			<u>13,477,664</u>
Special Education - Preschool Grants	84.173*		
Section 619		07619-10	328,905
Various contracts			<u>5,328</u>
			<u>334,233</u>
Special Education - Grants for			
Infants and Families with Disabilities:	84.181		
Part C - Infant & Toddler		C07-10	<u>345,209</u>

(continued)

**GRANT WOOD AREA EDUCATION AGENCY 10
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008**

Schedule 5

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Expenditures</u>
Indirect: (continued)			
U.S. Department of Education: (continued)			
Iowa Department of Education: (continued)			
Perkins Vocational Education	84.048A	FY07-08	285,291
Special Education - State Personnel Development			
SPDG - Secondary Professional Development	84.323A	G6PI3-10	1,230
IGISST - SIG	84.323	G-7P13-10	120,820
			122,050
Reading First State Grants	84.357	07-08	17,312
English Language Acquisition Grants	84.365		72,729
Every Learner Inquiries - Title II	84.367		10,000
Iowa Department of Corrections: Special Education - Grants to States Inmate Screening	84.027*		107,703
Corporation for National Community Service Iowa Department of Education Learn and Serve America-School and Community Based Programs	94.004		2,924
Total			\$ 15,059,251

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Grant Wood Area Education Agency 10 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.

* Total expenditures for CFDA Number 84.027 were \$13,585,367 and was tested as a major program along with CFDA Number 84.173. Special education cluster expenditures totaled \$13,919,600.

**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**

Board of Directors
Grant Wood Area Education Agency 10
Cedar Rapids, Iowa

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grant Wood Area Education Agency 10 (the Agency) as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 27, 2009. 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 the Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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 Agency'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 Agency's financial statements 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 results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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*.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Cedar Rapids, Iowa
March 27, 2009

**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**

Board of Directors
Grant Wood Area Education Agency 10
Cedar Rapids, Iowa

Compliance

We have audited the compliance of Grant Wood Area Education Agency 10 (the Agency) 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 its major federal program for the year ended June 30, 2008. The Agency's major federal program is 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 grant agreements applicable to its major federal program is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency'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 the Agency'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 the Agency's compliance with those requirements.

In our opinion, Grant Wood Area Education Agency 10 complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Agency'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 Agency's internal control over compliance.

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 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 the 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 is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Cedar Rapids, Iowa
March 27, 2009

**GRANT WOOD AREA EDUCATION AGENCY 10
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

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

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

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:

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

Dollar threshold used to distinguish between type A and type B programs: \$ 451,778

Auditee qualified as low-risk auditee? X Yes _____ No

GRANT WOOD AREA EDUCATION AGENCY 10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Financial Statements:

No matters were reported.

Section III: Findings and Questioned Costs for Federal Awards:

No matters were reported.

**GRANT WOOD AREA EDUCATION AGENCY 10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

Section IV - Other Findings Related to Required Statutory Reporting

IV-A-08 Budget - Expenditures during the year ended June 30, 2008 exceeded the amount budgeted.

Recommendation - Monitor budgeted to actual expenditures on a monthly basis to ensure expenditures do not exceed budgeted limits.

Response - Unanticipated costs were incurred due to flood clean-up and recovery in June 2008.

Conclusion - Agreed.

IV-B-08 Questionable Expenditures - No expenditures that we believe 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 and/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 ensure 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 Chapter 12B and 12C of the Code of Iowa were noted.

IV-H-08 Certified Annual Report - The Certified Annual Report (CAR) was filed with the Department of Education timely and we noted no significant discrepancies in the amounts reported.

GRANT WOOD AREA EDUCATION AGENCY 10
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2008

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide planned corrective action or other explanation.</u>
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There were no prior year federal audit findings.

GRANT WOOD AREA EDUCATION AGENCY 10

Audit Staff

This audit was performed by:

Bill Vincent, CPA, Partner

Michele M. Matt, CPA, Senior Manager

Justin Zimmerman, CPA, Manager

Holly Sheldahl, CPA, Senior Associate

Josh Barta, Associate

Lindsey Kotowske, Associate