

NORTHWEST AREA EDUCATION AGENCY

**Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings and Questioned Costs**

June 30, 2008

NORTHWEST AREA EDUCATION AGENCY

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NORTHWEST AREA EDUCATION AGENCY

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
<u>BOARD OF DIRECTORS</u>		
Larry Petersen	President	2008
Adella Hulstein	Vice President	2009
Creston Schubert	Member	2010
Glenda Den Herder	Member	2009
Roger Brinkert	Member	2008
Patricia Sutherland	Member	2010
Robert Rice	Member	2008
Percy Zylstra	Member	2010
Tom Bruegger	Member	2009

AGENCY

Tim Grieves	Administrator	2009
Wayne Hess	Chief Financial Officer	2008
Martha Kaufman	Board Secretary	2008
Steve Schermann	Treasurer/Business Manager	2008



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Northwest Area Education Agency

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Area Education Agency 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Northwest Area Education Agency, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2009 on our consideration of Northwest Area Education Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 28 through 29 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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 Northwest Area Education Agency's basic financial statements. The other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

King Reinsch Prosser & Co LLP

Sioux City, Iowa
February 10, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Northwest 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

- General Fund revenues increased from \$25,643,231 for Fiscal Year 2007 to \$26,978,835 in Fiscal Year 2008 while General Fund expenditures increased from \$23,572,423 in Fiscal Year 2007 to \$24,115,575 in Fiscal Year 2008. Total other financing uses were \$2,236,732 including \$2,242,594 for Part B LEA flow through. This resulted in an increase in the Agency's General Fund balance from \$3,512,628 in Fiscal Year 2007 to \$4,139,156 in Fiscal Year 2008, an 18 percent increase.
- Senate File 601 of the 2007 General Assembly reduced state aid to AEA's by \$5.25 million for Fiscal Year 2008. Northwest Area Education Agency's portion of this amount is \$447,433. This reduction is \$2.75 million less than the Fiscal Year 2007 statewide reduction of \$8 million resulting in a restoration of \$234,274 of state aid to Northwest Area Education Agency.

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 Northwest 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 government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year.

- Other Supplementary Information provides detailed information about the Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

Reporting the Agency's Financial Activities

Government-Wide Financial Statements:

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

The two government-wide statements report the Agency's net assets and how they have changed. Net assets - the difference between the Agency's assets and liabilities - are one way to measure the Agency's financial health or position. Over time, increases or decreases in the Agency's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the Agency's overall health, additional non-financial factors, such as changes in the Agency's property tax base and the condition of its facilities, need to be considered.

In the government-wide financial statements, the Agency's activities are:

- *Governmental activities:* 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 finance most of these activities.

Fund Financial Statements:

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

- Governmental funds account for the Agency's basic services. These focus on how cash and other financial assets readily converted to cash flow in and out and the balances left at year-end 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. The Agency's governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, and 3) the Debt Service Fund.

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

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Northwest Area Education Agency's net assets at the end of fiscal 2008 totaled approximately \$5.9 million. This compared to approximately \$5.4 million at the end of fiscal 2007. The analysis that follows focuses on the net assets and changes in net assets.

	Condensed Statement of Net Assets	
	Governmental Activities	
	June 30	
	2008	2007
Current and other assets	\$ 8,738,447	\$ 6,019,832
Capital assets	3,038,073	3,341,290
Total assets	<u>\$ 11,776,520</u>	<u>\$ 9,361,122</u>
Long-term liabilities	\$ 1,340,309	\$ 1,611,567
Other liabilities	4,505,186	2,359,991
Total liabilities	<u>\$ 5,845,495</u>	<u>\$ 3,971,558</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 2,677,353	\$ 2,878,344
Unrestricted	<u>3,253,672</u>	<u>2,511,220</u>
Total net assets, restated	<u>\$ 5,931,025</u>	<u>\$ 5,389,564</u>

The Agency's net assets increased 10 percent, or approximately \$540,000, from fiscal 2007. The increase occurred primarily due to lower expenditures than budgeted. The agency was unable to fill some positions during the fiscal year and the partial self-funding of the insurance plan performed better than anticipated. The health insurance premium renewal effective July 1, 2008 came in as a decrease, which had a favorable effect on the portion of health insurance premiums accrued at year-end.

The following analysis details the changes in net assets of the Agency's activities.

	Changes in Net Assets	
	Governmental Activities	
	Year Ended June 30,	
	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Charges for service	\$ 3,165,627	\$ 2,912,553
Operating grants and contributions	11,576,954	10,990,312
General revenues:		
Property tax	6,651,224	6,491,464
State Foundation Aid	7,890,586	7,362,475
Unrestricted investment earnings	140,006	218,286
Miscellaneous	674,165	614,762
Total revenues	<u>\$ 30,098,562</u>	<u>\$ 28,589,852</u>
Program expenses:		
Instruction	\$ 2,923,572	\$ 3,101,999
Student support services	11,009,471	10,954,867
Instructional staff support services	5,928,557	5,945,738
General administration	1,306,998	1,424,605
Business administration	1,621,208	1,459,584
Building administration	2,776,438	2,863,173
Printing, delivery services and coop. support services	621,506	629,275
Plant operations and maintenance	640,747	710,800
Student transportation	274,896	315,874
Long-term debt interest	19,625	24,643
LEA flow through	2,242,594	2,281,160
Depreciation unallocated	124,061	132,094
Loss on disposal of capital assets	67,428	7,145
Total expenses	<u>\$ 29,557,101</u>	<u>\$ 29,850,957</u>
Decrease in net assets	\$ 541,461	\$ (1,261,105)
Net assets beginning of year, restated	<u>5,389,564</u>	<u>6,650,669</u>
Net assets end of year	<u>\$ 5,931,025</u>	<u>\$ 5,389,564</u>

Property tax and state foundation aid account for 48 percent of the total revenue while operating grants and contributions from local, state and federal sources account for 38 percent of the total revenue. The Agency's expenses primarily relate to student support services and instructional staff support services, which accounts for 57 percent of the total expenses.

INDIVIDUAL FUND ANALYSIS

As previously noted, Northwest 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 \$4,233,261, greater than last year's ending fund balances of \$3,659,841. The primary reason for the increase in combined fund balances in fiscal 2008 was due to reserve of categorical funding and decrease in health insurance renewal.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Agency amended its budget one time to reflect adjustments to funding sources and reclassifications among expenditures. 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 \$3,038,073, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers and audio-visual equipment. This is a net decrease of approximately \$303,000 from last year. This decrease was due to depreciation expense exceeding the amount of capital assets purchased during Fiscal Year 2008.

Northwest Area Education Agency had depreciation expense of \$636,200 in fiscal 2008 and total accumulated depreciation of \$7,835,272 at June 30, 2008. More detailed information about capital assets is available in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2008, the Agency had \$1,340,309 in long-term debt outstanding compared to \$1,611,567 at June 30, 2007. More detailed information about the Agency's long-term liabilities is available in Note 6 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 circumstances that could significantly affect its financial health in the future:

- House File 2700 of the 2008 General Assembly reduced state aid to AEA's by \$2.5 million for Fiscal Year 2009. Northwest Area Education Agency's portion of this amount is \$213,063. This reduction is \$2.75 million less than the Fiscal Year 2008 statewide reduction of \$5.25 million resulting in a restoration of \$234,370 of state aid to Northwest Area Education Agency.
- The Agency's student enrollment projections continue to reflect a decline. State aid funding for the Agency is tied to enrollment.

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 Northwest Area Education Agency, Sioux City, Iowa.

BASIC FINANCIAL STATEMENTS

NORTHWEST AREA EDUCATION AGENCY

STATEMENT OF NET ASSETS

JUNE 30, 2008

ASSETS:

Cash and pooled investments (Note 2)	\$ 4,760,679
Receivables:	
Accounts	13,495
Due from other governmental agencies	1,971,183
Inventories	77,887
Restricted ISCAP assets (Note 3):	
Investments	1,914,477
Accrued interest receivable	726
Capital assets (net of accumulated depreciation) (Note 5)	3,038,073
Total assets	<u>\$ 11,776,520</u>

LIABILITIES:

Accounts payable	\$ 330,039
Salaries and benefits payable	2,050,818
ISCAP warrants payable (Note 3)	1,899,000
ISCAP accrued interest payable (Note 3)	728
ISCAP unamortized premium	32,568
Deferred revenue:	
Miscellaneous	192,033
Long-term liabilities (Note 6):	
Portion due or payable within one year:	
Capital leases	96,979
Early retirement benefits	209,854
Portion due or payable after one year:	
Capital leases	263,741
Early retirement benefits	510,289
Compensated absences	259,446
Total liabilities	<u>\$ 5,845,495</u>

NET ASSETS:

Invested in capital assets, net of related debt	\$ 2,677,353
Unrestricted	3,253,672
Total net assets	<u>\$ 5,931,025</u>

NORTHWEST AREA EDUCATION AGENCY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental activities:				Governmental Activities
Instruction	\$ 2,923,572	\$ 1,743,886	\$ 101,821	\$ (1,077,865)
Student support services	11,009,471	377,990	9,168,993	(1,462,488)
Instructional staff support services	5,928,557	445,284	63,546	(5,419,727)
General administration	1,306,998	-	-	(1,306,998)
Business administration	1,621,208	-	-	(1,621,208)
Building administration	2,776,438	-	-	(2,776,438)
Printing, delivery services and coop support services	621,506	323,571	-	(297,935)
Plant operations and maintenance	640,747	-	-	(640,747)
Student transportation	274,896	274,896	-	-
Interest on long-term debt	19,625	-	-	(19,625)
LEA flow through	2,242,594	-	2,242,594	-
Depreciation unallocated	124,061	-	-	(124,061)
Loss on disposal of capital assets	67,428	-	-	(67,428)
Total governmental activities	<u>\$ 29,557,101</u>	<u>\$ 3,165,627</u>	<u>\$ 11,576,954</u>	\$ (14,814,520)
GENERAL REVENUES:				
Property tax				6,651,224
State Foundation Aid				7,890,586
Unrestricted investment earnings				140,006
Miscellaneous				674,165
Total general revenues				<u>\$ 15,355,981</u>
Change in net assets				\$ 541,461
Net assets beginning of year, restated				<u>5,389,564</u>
Net assets end of year				<u>\$ 5,931,025</u>

NORTHWEST AREA EDUCATION AGENCY

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2008

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
ASSETS:			
Cash and pooled investments (Note 2)	\$ 4,658,933	\$ 101,746	\$ 4,760,679
Interfund balance	82,391	-	82,391
Receivables:			
Accounts	13,285	210	13,495
Due from other governments	1,614,685	356,498	1,971,183
Inventories	77,887	-	77,887
Restricted ISCAP assets:			
Investments	1,914,477	-	1,914,477
Accrued interest receivable	726	-	726
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 8,362,384</u>	<u>\$ 458,454</u>	<u>\$ 8,820,838</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 319,450	\$ 10,589	\$ 330,039
Salaries and benefits payable	1,845,744	205,074	2,050,818
ISCAP warrants payable	1,899,000	-	1,899,000
ISCAP accrued interest payable	728	-	728
ISCAP unamortized premium	32,568	-	32,568
Interfund balance	-	82,391	82,391
Deferred revenue:			
Miscellaneous	125,738	66,295	192,033
Total liabilities	<u>\$ 4,223,228</u>	<u>\$ 364,349</u>	<u>\$ 4,587,577</u>
Fund balances:			
Reserved for:			
Inventories	\$ 77,887	\$ -	\$ 77,887
Special purposes	982,398	-	982,398
Unreserved:			
Designated for subsequent year's expenditures	2,565,906	-	2,565,906
Undesignated	512,965	94,105	607,070
Total fund balances	<u>\$ 4,139,156</u>	<u>\$ 94,105</u>	<u>\$ 4,233,261</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 8,362,384</u>	<u>\$ 458,454</u>	<u>\$ 8,820,838</u>

NORTHWEST AREA EDUCATION AGENCY

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL

FUNDS TO THE STATEMENT OF NET ASSETS

JUNE 30, 2008

TOTAL GOVERNMENTAL FUND BALANCES (PAGE 12) \$ 4,233,261

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 governmental funds. The cost of assets is \$10,873,345 and accumulated depreciation is \$7,835,272. 3,038,073

Long-term liabilities, including capital leases, early retirement benefits, and compensated absences, are not due and payable in the current period and therefore are not reported in the governmental funds. (1,340,309)

NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 10) \$ 5,931,025

NORTHWEST AREA EDUCATION AGENCY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
REVENUES:			
Local sources	\$ 8,642,303	\$ 2,258,481	\$ 10,900,784
State sources	8,409,385	861,246	9,270,631
Federal sources	9,927,147	-	9,927,147
Total revenues	<u>\$ 26,978,835</u>	<u>\$ 3,119,727</u>	<u>\$ 30,098,562</u>
EXPENDITURES:			
Current:			
Instruction	\$ 366,362	\$ 2,588,815	\$ 2,955,177
Student support services	11,055,486	-	11,055,486
Instructional staff support services	5,948,068	-	5,948,068
General administration	1,334,174	9,835	1,344,009
Business administration	1,621,451	-	1,621,451
Building administration	2,538,906	179,553	2,718,459
Printing, delivery services, and coop support services	614,313	-	614,313
Plant operations and maintenance	636,815	32,265	669,080
Student transportation	-	234,654	234,654
Debt service	-	125,854	125,854
Total expenditures	<u>\$ 24,115,575</u>	<u>\$ 3,170,976</u>	<u>\$ 27,286,551</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 2,863,260	\$ (51,249)	\$ 2,812,011
OTHER FINANCING SOURCES (USES):			
Proceeds from capital leases	4,003	-	4,003
LEA flow through	(2,242,594)	-	(2,242,594)
Transfers in	127,713	125,854	253,567
Transfers out	(125,854)	(127,713)	(253,567)
Total other financing sources (uses)	<u>\$ (2,236,732)</u>	<u>\$ (1,859)</u>	<u>\$ (2,238,591)</u>
NET CHANGE IN FUND BALANCES	\$ 626,528	\$ (53,108)	\$ 573,420
FUND BALANCES BEGINNING OF YEAR	<u>3,512,628</u>	<u>147,213</u>	<u>3,659,841</u>
FUND BALANCES END OF YEAR	<u>\$ 4,139,156</u>	<u>\$ 94,105</u>	<u>\$ 4,233,261</u>

NORTHWEST AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Northwest Area Education 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 36 public school districts and 33 accredited private schools in a ten-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Northwest Area Education Agency 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. Northwest Area Education Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

NORTHWEST AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Statement of Net Assets presents the Agency's non-fiduciary 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 attributable 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, which 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 as general revenues.

Fund Financial Statements - Financial statements are provided for governmental 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 fund:

The General Fund is the general operating fund of the Agency. All general revenues and other revenues 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.

NORTHWEST AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and 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. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - 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 and non-negotiable certificates of deposits 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.

NORTHWEST AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 column in the government-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 initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Land	No lower limit
Buildings and improvements	\$ 5,000
Furniture and equipment	2,000
Media materials	Aggregated annual purchases

Capital assets of the Agency are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and improvements	20
Furniture and equipment	3-7
Media materials	5

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 funding source over accrued expenditures at year end.

NORTHWEST AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation and sick leave 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 Fund.

Long-Term Liabilities - 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 not available for appropriation or 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, laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

NOTE 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. 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's investments at June 30, 2008 consisted of the following:

<u>Type</u>	<u>Fair Value</u>
Money Market	<u>\$ 4,694,158</u>

NORTHWEST AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 2 - CASH AND POOLED INVESTMENTS (CONTINUED):

In addition, the Agency had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio, which are valued at an amortized cost of \$66,521 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) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

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

NOTE 3 - IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP):

The Agency participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each participating entity is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and are provided monthly statements regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is trustee of the program. These accounts are reflected as restricted assets on the Statement of Net Assets and Balance Sheet. A summary of the Agency's participation in ISCAP as of June 30, 2008 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2008-09A	6/26/08	6/25/09	<u>\$ 1,914,477</u>	<u>\$ 726</u>	<u>\$ 1,899,000</u>	<u>\$ 728</u>

NORTHWEST AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 3 - IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP) (CONTINUED):

The Agency pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, the Agency must repay the outstanding withdrawal from its General Fund receipts. In addition, the Agency must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25 percent of the warrant amount.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rate on Warrants</u>	<u>Interest Rate on Investments</u>
2008-09A	3.50%	3.469%

NOTE 4 - INTERFUND TRANSFERS AND BALANCES:

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	General	\$ 125,854
General	Special Education Instruction	107,106
	Juvenile Home	<u>20,607</u>
		<u>\$ 253,567</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The detail of interfund balances at June 30, 2008 is as follows:

	<u>Interfund Balance</u>	<u>Interfund Balance</u>
General:		
Special Education Instruction	\$ 82,391	\$ -
Special Education Instruction:		
General	\$ -	\$ 82,391
	<u>\$ 82,391</u>	<u>\$ 82,391</u>

NORTHWEST AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 4 - INTERFUND TRANSFERS AND BALANCES (CONTINUED):

The interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting system; and, (3) payments between funds are made.

NOTE 5 - CAPITAL ASSETS:

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

	Balance Beginning of Year, as Restated	Additions	Deletions	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 182,535	\$ -	\$ -	\$ 182,535
Capital assets being depreciated:				
Land improvements	\$ 2,998	\$ -	\$ -	\$ 2,998
Buildings and improvements	4,123,266	-	-	4,123,266
Furniture and equipment	2,883,656	173,541	(424,091)	2,633,106
Media materials	3,968,050	226,870	(263,480)	3,931,440
Total capital assets being depreciated	<u>\$ 10,977,970</u>	<u>\$ 400,411</u>	<u>\$ (687,571)</u>	<u>\$ 10,690,810</u>
Less accumulated depreciation for:				
Land improvements	\$ 425	\$ 150	\$ -	\$ 575
Buildings and improvements	2,122,964	123,911	-	2,246,875
Furniture and equipment	2,145,036	328,583	(356,663)	2,116,956
Media materials	3,550,790	183,556	(263,480)	3,470,866
Total accumulated depreciation	<u>\$ 7,819,215</u>	<u>\$ 636,200</u>	<u>\$ (620,143)</u>	<u>\$ 7,835,272</u>
Total capital assets being depreciated, net	<u>\$ 3,158,755</u>	<u>\$ (235,789)</u>	<u>\$ (67,428)</u>	<u>\$ 2,855,538</u>
Governmental activities capital assets, net	<u>\$ 3,341,290</u>	<u>\$ (235,789)</u>	<u>\$ (67,428)</u>	<u>\$ 3,038,073</u>

The beginning balance of furniture and equipment was restated to include all capital assets currently in service. Furniture and equipment was increased by \$136,227 and the associated accumulated depreciation was increased by \$123,146.

NORTHWEST AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 5 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction	\$ 1,922
Student support services	19,659
Instructional staff support services	265,992
General administration	427
Business administration	61,849
Building administration	72,291
Printing, delivery services and coop support services	22,142
Plant operations and maintenance	29,164
Student transportation	38,693
Unallocated depreciation	<u>124,061</u>
Total governmental activities depreciation expense	<u>\$ 636,200</u>

NOTE 6 - 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, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Capital leases	\$ 446,012	\$ 4,003	\$ 89,295	\$ 360,720	\$ 96,979
Notes payable	16,934	-	16,934	-	-
Early retirement benefits	934,931	-	214,788	720,143	209,854
Compensated absences	<u>213,690</u>	<u>45,756</u>	<u>-</u>	<u>259,446</u>	<u>-</u>
Total	<u>\$ 1,611,567</u>	<u>\$ 49,759</u>	<u>\$ 321,017</u>	<u>\$ 1,340,309</u>	<u>\$ 306,833</u>

Capital Leases

The Agency is obligated under leases accounted for as capital leases. Capital assets under a capital lease included in buildings totaled \$899,275 with accumulated amortization of \$89,928 at June 30, 2008. The lease matures May 2012 and requires interest at a rate of 2.5 - 4.3 percent. Capital assets under a capital lease included in equipment totaled \$206,127 with accumulated amortization of \$81,677 at June 30, 2008. The leases mature between October 2010 and March 2011 and require interest ranging from 5.58 - 6.75 percent.

NORTHWEST AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 6 - CHANGES IN LONG-TERM LIABILITIES (CONTINUED):

Scheduled repayments on the capital lease obligations are as follows:

Year Ending <u>June 30,</u>	
2009	\$ 112,393
2010	110,413
2011	100,677
2012	<u>73,010</u>
Total minimum lease payments	\$ 396,493
Less amount representing interest under capital lease obligation	<u>35,773</u>
Total	<u>\$ 360,720</u>

Notes Payable

The Agency was obligor with respect to a School Remodeling Project Note dated October 1, 2002 for the original amount of \$140,000. The note called for semi-annual payments of \$17,304 including interest at the coupon rate of 4.37 percent per annum through October 1, 2007. This note was paid off on September 17, 2007.

Early Retirement Benefits

The Agency provides early retirement benefits to eligible personnel based on the financial condition of the Agency. The Agency pays a certain amount of the retiring employees' health insurance premiums. The benefit amount is based on the agreement in effect on the employees' retirement date. The Agency discontinued the early retirement plan as of June 30, 2007.

The beginning balance of the early retirement benefits was restated from \$741,095 to \$934,931, an increase of \$193,836. The liability related to these benefits as of June 30, 2008 is estimated at \$688,151, and is recorded on the Government-Wide Statement of Net Assets. The current portion of \$177,862 is due within one year and the long-term portion of \$510,289 extends beyond one year. The estimate is based on the number of people who had accepted the benefits as of June 30, 2008, their ages as of June 30, 2008, and the current health insurance premiums with an inflation rate of 10 percent per year and a discount rate of 5 percent taken into consideration. Currently, 31 retirees are receiving these benefits. The benefit payments for the year ended June 30, 2008 totaled \$195,380.

NORTHWEST AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 6 - CHANGES IN LONG-TERM LIABILITIES (CONTINUED):

In addition, the Agency entered into an early retirement agreement with an administrator providing for total payments of \$200,000. The termination benefits will be paid in installments with the final installment due April 15, 2009. The liability is recorded in the government-wide statements using a discount rate of 5 percent. The remaining amount due within one year is \$31,992.

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 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 percent of their annual covered salary and the Agency is required to contribute 6.05 percent 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 \$962,962, \$882,912 and \$566,290, respectively, equal to the required contributions for each year.

NOTE 8 - OPERATING LEASES:

The Agency has leased various facilities within the area to house the different divisions of the Agency and also has lease agreements for copy machines and printers. These leases have been classified as operating leases, and accordingly, all rents are charged to expenditures as incurred. The leases expire between June 30, 2009 and April 30, 2011. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and utilities on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

NORTHWEST AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 8 - 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 June 30,</u>	<u>Noncancellable Payments</u>
2009	\$ 113,561
2010	91,561
2011	<u>30,520</u>
	<u>\$ 235,642</u>

Total rental expenditures for the year ended June 30, 2008, for all operating leases totaled \$86,700.

The Agency leases a vehicle calling for monthly payments of \$572. The Agency paid \$6,896 pursuant to the agreement for the year ended June 30, 2008. The future noncancellable payments under this agreement is \$1,717 for the year ending June 30, 2009.

NOTE 9 - RISK MANAGEMENT:

Northwest Area Education 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.

NOTE 10 - 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 the Statement will have on the Agency's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHWEST AREA EDUCATION AGENCY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN BALANCES - BUDGET AND ACTUAL

ALL GOVERNMENTAL FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2008

	Actual	Budget Amount		Final to Actual
		Original	Final	Variance
REVENUES:				
Local sources	\$ 10,900,784	\$ 10,499,582	\$ 10,686,216	\$ 214,568
State sources	9,270,631	8,785,528	9,236,767	33,864
Federal sources	<u>9,927,147</u>	<u>10,563,830</u>	<u>10,275,325</u>	<u>(348,178)</u>
Total revenues	<u>\$ 30,098,562</u>	<u>\$ 29,848,940</u>	<u>\$ 30,198,308</u>	<u>\$ (99,746)</u>
EXPENDITURES				
Current:				
Instruction	\$ 2,955,177	\$ 3,135,818	\$ 3,094,050	\$ 138,873
Student support services	11,055,486	11,511,476	11,259,613	204,127
Instructional staff support services	5,948,068	6,364,077	6,278,705	330,637
General administration	1,344,009	1,379,260	1,394,758	50,749
Business administration	1,621,451	1,298,033	1,606,537	(14,914)
Building administration	2,718,459	2,490,670	2,801,617	83,158
Printing, delivery services and coop support services	614,313	686,601	657,210	42,897
Plant operations and maintenance	669,080	968,334	936,994	267,914
Student transportation	234,654	281,608	254,198	19,544
Debt service	<u>125,854</u>	<u>124,870</u>	<u>124,870</u>	<u>(984)</u>
Total expenditures	<u>\$ 27,286,551</u>	<u>\$ 28,240,747</u>	<u>\$ 28,408,552</u>	<u>\$ 1,122,001</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 2,812,011	\$ 1,608,193	\$ 1,789,756	\$ 1,022,255
OTHER FINANCING SOURCES (USES), NET	<u>(2,238,591)</u>	<u>(2,326,865)</u>	<u>(2,242,594)</u>	<u>4,003</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ 573,420	\$ (718,672)	\$ (452,838)	\$ 1,026,258
BALANCE BEGINNING OF YEAR	<u>3,659,841</u>	<u>2,995,484</u>	<u>3,659,841</u>	<u>-</u>
BALANCE END OF YEAR	<u>\$ 4,233,261</u>	<u>\$ 2,276,812</u>	<u>\$ 3,207,003</u>	<u>\$ 1,026,258</u>

NORTHWEST AREA EDUCATION AGENCY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION -

BUDGETARY REPORTING

JUNE 30, 2008

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

The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents function expenditures by fund, the legal level of control is at the total expenditure 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 did not exceed the approved budget.

OTHER SUPPLEMENTARY INFORMATION

NORTHWEST AREA EDUCATION AGENCY

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2008

	<u>Special Revenue</u>			<u>Total</u>
	<u>Juvenile Home</u>	<u>Special Education Instruction</u>	<u>Debt Service</u>	
ASSETS:				
Cash and pooled investments	\$ 101,746	\$ -	\$ -	\$ 101,746
Receivable from other governments	-	356,498	-	356,498
Other receivables	98	112	-	210
Total assets	<u>\$ 101,844</u>	<u>\$ 356,610</u>	<u>\$ -</u>	<u>\$ 458,454</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 586	\$ 10,003	\$ -	\$ 10,589
Salaries and benefits payable	34,963	170,111	-	205,074
Interfund balance	-	82,391	-	82,391
Deferred revenue	66,295	-	-	66,295
Total liabilities	<u>\$ 101,844</u>	<u>\$ 262,505</u>	<u>\$ -</u>	<u>\$ 364,349</u>
Fund balances:				
Unreserved, undesignated	<u>\$ -</u>	<u>\$ 94,105</u>	<u>\$ -</u>	<u>\$ 94,105</u>
Total liabilities and fund balances	<u>\$ 101,844</u>	<u>\$ 356,610</u>	<u>\$ -</u>	<u>\$ 458,454</u>

NORTHWEST AREA EDUCATION AGENCY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	Special Revenue			Total
	Juvenile Home	Special Education Instruction	Debt Service	
REVENUES:				
Local sources	\$ -	\$ 2,258,481	\$ -	\$ 2,258,481
State sources	810,873	50,373	-	861,246
Total revenues	\$ 810,873	\$ 2,308,854	\$ -	\$ 3,119,727
EXPENDITURES:				
Current:				
Instruction	\$ 737,157	\$ 1,851,658	\$ -	\$ 2,588,815
General administration	9,835	-	-	9,835
Building administration	43,274	136,279	-	179,553
Plant operations and maintenance	-	32,265	-	32,265
Student transportation	-	234,654	-	234,654
Debt service	-	-	125,854	125,854
Total expenditures	\$ 790,266	\$ 2,254,856	\$ 125,854	\$ 3,170,976
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 20,607	\$ 53,998	\$ (125,854)	\$ (51,249)
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ -	\$ -	\$ 125,854	\$ 125,854
Transfers out	(20,607)	(107,106)	-	(127,713)
Total other financing sources (uses)	\$ (20,607)	\$ (107,106)	\$ 125,854	\$ (1,859)
NET CHANGE IN FUND BALANCES	\$ -	\$ (53,108)	\$ -	\$ (53,108)
FUND BALANCES BEGINNING OF YEAR	-	147,213	-	147,213
FUND BALANCES END OF YEAR	\$ -	\$ 94,105	\$ -	\$ 94,105

NORTHWEST AREA EDUCATION AGENCY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -

ALL GOVERNMENTAL FUNDS

FOR THE LAST TWO YEARS

	<u>Modified Accrual Basis</u>	
	<u>Years Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
REVENUES:		
Local	\$ 10,900,784	\$ 10,526,104
State	9,270,631	7,895,226
Federal	<u>9,927,147</u>	<u>10,168,522</u>
Total revenues	<u>\$ 30,098,562</u>	<u>\$ 28,589,852</u>
EXPENDITURES:		
Current:		
Instruction	\$ 2,955,177	\$ 2,942,763
Student support services	11,055,486	10,676,882
Instructional staff support services	5,948,068	5,875,372
General administration	1,344,009	1,415,216
Business administration	1,621,451	1,376,280
Building administration	2,718,459	2,743,088
Printing, delivery services and coop. support services	614,313	611,100
Plant operations and maintenance	669,080	719,005
Student transportation	234,654	257,832
Debt service	<u>125,854</u>	<u>148,823</u>
Total expenditures	<u>\$ 27,286,551</u>	<u>\$ 26,766,361</u>

NORTHWEST AREA EDUCATION AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2008

<u>Project Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Education:			
Passed-through Iowa Department of Education:			
Special Education - Grants to States:	84.027		
IDEA - Part B		070812	\$ 6,362,350
LEA Flow-Through		8KB2-12	2,242,594
Parent-Educator Connection		77412	99,316
Diagnostic Evaluation Program		7K71-12	9,941
Instructional Decision Making		7K79-12	70,341
Para Educator Training		7K76-12	15,868
Text Reader Project		41307	9,081
			<u>\$ 8,809,491</u>
Special Education - Preschool Grants	84.173		
Every Child Reads		ECR-7KE4-12	\$ 5,980
Section 619		07619-12	237,060
			<u>\$ 243,040</u>
Special Education - Grants for Infants and Families			
With Disabilities	84.181		
IDEA - Part C		C07-12	\$ 251,321
Tech-Prep Education	84.243A	97-9212	\$ 78,452
Special Education - State Personnel Development	84.323		
SIG/Iowa Quality Preschool Program Standards Project		SPDG-12	\$ 5,001
SIG/Iowa Quality Preschool Program Standards Project		G-7PI3-12	5,022
			<u>\$ 10,023</u>
English Language Acquisition Grants	84.365		\$ 428,767
Career and Technical Education - Basic Grants to States	84.048A		\$ 34,564
Rehabilitation Services - Systemic Transition Enhancement			
Project (STEP)	84.126	08-STEP-01	\$ 40,789
Reading First State Grants	84.357		\$ 30,700
			<u>\$ 9,927,147</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Northwest Area Education Agency and is presented on the modified accrual basis. The information on this schedule is presented in accordance with 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.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Northwest Area Education Agency

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Area Education Agency as of and for the year ended June 30, 2008, which collectively comprise Northwest Area Education Agency's basic financial statements and have issued our report thereon dated February 10, 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 Northwest Area Education Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwest Area Education Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Northwest Area Education Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects Northwest Area Education Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Northwest Area Education Agency's financial statements that is more than inconsequential will not be prevented or detected by Northwest Area Education 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 Northwest Area Education Agency's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in 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 material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Area Education 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*.

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

This report is intended solely for the information and use of the officials, 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.

Sioux City, Iowa
February 10, 2009

King Reinsch Prosser & Co. LLP



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Northwest Area Education Agency

Compliance

We have audited the compliance of Northwest Area Education Agency with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Northwest Area Education Agency's major federal programs are identified in Part I 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 Northwest Area Education Agency's management. Our responsibility is to express an opinion on Northwest Area Education 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 Government and Nonprofit 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 Northwest Area Education 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 on Northwest Area Education Agency's compliance with those requirements.

In our opinion, Northwest Area Education Agency 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 Northwest Area Education Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northwest Area Education 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 Agency's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that 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 Agency'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 considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of the officials, 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.

King Reinsch Prosser & Co. LLP

Sioux City, Iowa
February 10, 2009

NORTHWEST AREA EDUCATION AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditors' Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.027 - Special Education - Grants to States
 - CFDA Number 84.173 - Special Education - Preschool Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Northwest Area Education Agency did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

Instances of Non-compliance:

No matters were noted.

NORTHWEST AREA EDUCATION AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-compliance:

No matters were noted.

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 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 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 were found that we believe should have been approved in the Board minutes but were not.
- 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 were noted.
- IV-H-08 Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education.