

GREEN VALLEY AREA EDUCATION AGENCY 14

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

June 30, 2009

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GREEN VALLEY AREA EDUCATION AGENCY 14

OFFICIALS

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

AREA SERVED

Adair County:

Nodaway Valley Community Schools
Orient-Macksburg Community Schools

Adams County:

Coming Community Schools
Prescott Community Schools

Clarke County:

Clarke Community Schools
Murray Community Schools

Decatur County:

Central Decatur Community Schools
Lamoni Community Schools
Mormon Trail Community Schools

Montgomery County:

Red Oak Community Schools
Stanton Community Schools
Villisca Community Schools

Ringgold County:

Diagonal Community Schools
Mount Ayr Community Schools

Taylor County:

Bedford Community Schools
Clearfield Community Schools
Lenox Community Schools

Union County:

Creston Catholic School
Creston Community Schools
East Union Community Schools



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green Valley Area Education Agency 14 as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements listed in the table of contents. These financial statements are the responsibility of Agency officials. Our responsibility is to express 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 Green Valley Area Education Agency 14, at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated January 27, 2010 on our consideration of Green Valley Area Education Agency 14's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 9 and pages 24 through 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Green Valley Area Education Agency 14's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 27, 2010

Fitzman & Company, LLP

GREEN VALLEY AREA EDUCATION AGENCY 14

Management's Discussion and Analysis

Area Education Agency 14 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- The Iowa Legislature continued to reduce State Aid funding for Area Education Agencies statewide during fiscal year 2009 (FY09). For Area Education Agency 14 this reduction totaled \$263,757, a decrease from \$300,568 in fiscal year 2008 (FY08).
- General Fund Revenues increased from \$7,342,822 in fiscal year 2008 (FY08) to \$7,918,561 in fiscal year 2009 (FY09), while General Fund Expenditures also increased from \$7,646,532 in FY08 to \$8,128,197 in FY09. The ultimate result to the Agency's General Fund fund balance was a decrease from \$987,175 in FY08 to \$777,539 in FY09.
- The increase in General Fund revenues was attributable to allowable growth in state funding and the influx of Federal ARRA funding. The increase in expenditures can be attributed to increasing salary and benefit expenditures, an increase in travel costs for staff, and the additional LEA flow-through of Federal ARRA funds.

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 the 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, and Supplementary Information provides detailed information about other items of interest.

GREEN VALLEY AREA EDUCATION AGENCY 14

Management's Discussion and Analysis

REPORTING THE AGENCY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

Fund Financial Statements

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

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

The Governmental Funds required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

A summary reconciliation between the Government-Wide Financial Statements and the Fund Financial Statements follows the Fund Financial Statements.

GREEN VALLEY AREA EDUCATION AGENCY 14

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, Net Assets may serve over time as a useful indicator of financial position. Area Education Agency 14's Net Assets at the end of FY09 totaled approximately \$1.6 million. The analysis that follows provides a summary of the Agency's Net Assets at June 30, 2009 for the Governmental Activities. The Agency does not have Business-Type Activities, therefore the total is only composed of the governmental funds.

	Condensed Statement of Net Assets		
	FY2009	FY2008	% Change
Current and other assets	\$ 1,899,856	\$ 1,822,647	4%
Capital assets	857,582	924,363	(7%)
Total Assets	2,757,438	2,747,010	0%
Long-term obligations	-0-	-0-	0%
Other liabilities	1,122,317	835,472	34%
Total Liabilities	1,122,317	835,472	34%
Net assets:			
Invested in capital assets, net of related debt	857,582	924,363	(7%)
Restricted	73,772	72,500	2%
Unrestricted	703,767	914,675	(23%)
Total Net Assets	\$ 1,635,121	\$ 1,911,538	(14%)

The Agency's combined Net Assets decreased by approximately \$276,000 from FY08.

GREEN VALLEY AREA EDUCATION AGENCY 14

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following analysis shows the changes in Net Assets for the year ended June 30, 2009 as compared to June 30, 2008. The Agency does not have Business-Type Activities, therefore the total is composed of the governmental funds.

	Changes in Net-Assets		
	FY2009	FY2008	% Change
Revenues:			
Program revenues:			
Charges for services	\$ 214,469	\$ 263,002	(18%)
Operating grants and contributions	4,022,598	3,481,795	16%
General revenues			
Property tax	1,683,094	1,654,013	2%
State aid	1,990,022	1,909,265	4%
Unrestricted investment earnings	8,378	34,747	(75%)
Miscellaneous	-0-	-0-	-0-
Total Revenues	7,918,561	7,342,822	8%
Program Expenses:			
Instruction	322,516	347,073	(7%)
Student support services	2,775,743	2,642,230	5%
Instructional staff support services	2,106,497	2,061,289	2%
General administration	666,711	638,570	(90%)
Building administration	366,682	378,300	(3%)
Business administration	650,890	685,785	(5%)
Printing and delivery	163,419	100,217	63%
Plant operations and maintenance	217,322	211,901	3%
Central and other support services	23	388	(94%)
Community service operations	78,801	66,192	19%
LEA Part B flow-through	846,374	569,709	49%
Total Expenses	8,194,978	7,701,654	6%
Decrease in Net Assets	276,417	358,832	(23%)
Net Assets - Beginning	1,911,538	2,270,370	(16%)
Net Assets - Ending	\$ 1,635,121	\$ 1,911,538	(14%)

State formula funding, consisting of State aid and Property taxes, accounts for 46% of the total revenue. Operating grants and contributions from local, state and federal sources account for an additional 51% of the total revenue. The Agency's expenses primarily relate to instruction and support services provided to local school districts, including administrators, teachers, and students. Services provided to schools are reported above in the areas of instruction, student support services, instructional staff support services, printing and delivery, community service operations, LEA Part B flow-through and a large portion of the building and business administration services.

Governmental Activities

Revenues for Governmental Activities were \$7,918,561 and expenses were \$8,194,978, resulting in the \$276,417 decrease to net assets. Because of continuing loss of students in the Agency and additional cuts to state funding, the Agency recognizes the need to keep the revenues and operating expenditures relatively balanced during FY10.

GREEN VALLEY AREA EDUCATION AGENCY 14

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

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

The Agency's Governmental Funds reported combined fund balances of \$777,539, a decrease of \$209,636 from last year's ending fund balances of \$987,175.

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the Agency had invested \$857,582, net of accumulated depreciation and related debt, in a broad range of capital assets, including land, buildings, computers, equipment, and an extensive library/media collection. This is a net decrease of approximately \$67,000 from last year.

Area Education Agency 14 had depreciation expense of \$147,797 in FY09 and total accumulated depreciation of \$1,794,730 at June 30, 2009. More detailed information about capital assets is available in Note 3 to the financial statements.

Debt Administration

At June 30, 2009, the Agency had no long-term debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

Most school districts within AEA 14 are experiencing continual decreases in overall student enrollment, resulting in fewer students generating state funding for the Agency.

GREEN VALLEY AREA EDUCATION AGENCY 14

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Federal funding received indirectly through the Department of Education has leveled off compared to large increases the Agency received several years ago. However, the Agency did start receiving additional federal ARRA funding in FY09. ARRA funding will continue through FY11.

The Iowa legislature has reduced state aid to AEA's during FY05, FY06, FY07, FY08, and FY09. In FY05 and FY06 AEA 14 received \$451,814 less than provided under the state aid funding formula. The state funding reductions continued in FY07, although the legislature did return \$3.8 million in state aid revenues to the AEA system, which amounted to \$86,858 for AEA 14. This reduced the state aid reduction in FY07 for AEA 14 to \$364,956. An additional \$64,388 of state aid revenue was returned to AEA 14 for FY08, bringing the reduction down to \$300,568. Another \$66,866 was returned in FY09, but another across the Board reduction of \$30,055 brought the total reduction to \$263,757. In FY10, an additional 10% cut has already been announced. Based on current state economic factors, additional reductions may still be forthcoming for FY10.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

GREEN VALLEY AREA EDUCATION AGENCY 14
Statement of Net Assets
June 30, 2009

ASSETS	
Cash and cash equivalents	\$ 112,446
Investments	1,147,983
Due from other governments	494,344
Other receivables	17,933
Inventories	27,703
Prepaid expenses	99,447
Capital assets, net of depreciation	857,582
Total Assets	<u>2,757,438</u>
 LIABILITIES	
Accounts payable	325,630
Accrued payroll and benefits	569,927
Deferred revenues	226,760
Total Liabilities	<u>1,122,317</u>
 NET ASSETS	
Invested in capital assets, net of related debt	857,582
Restricted	
Inventories	27,703
Media materials	16,134
Iowa Core	2,230
Teacher Quality	27,705
Designated	
Cash flow	450,000
Unrestricted/undesignated	253,767
Total Net Assets	<u>\$ 1,635,121</u>

See accompany notes to financial statements.

GREEN VALLEY AREA EDUCATION AGENCY 14
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Assets
	Expenses	Operating		Capital	
		Charges for Services	Grants and Contributions		
Governmental Activities:					
Instruction	\$ 322,516	\$ -	\$ 118,679	\$ -	\$ (203,837)
Student support services	2,775,743	6,139	1,519,574	-	(1,250,030)
Instructional staff support services	2,106,497	81,310	971,981	-	(1,053,206)
General administration	666,711	-	-	-	(666,711)
Building administration	366,682	-	244,967	-	(121,715)
Business administration	650,890	76,613	246,345	-	(327,932)
Printing and van delivery	163,419	50,407	-	-	(113,012)
Plant operations and maintenance	217,322	-	-	-	(217,322)
Central and other support services	23	-	-	-	(23)
Community service operations	78,801	-	74,725	-	(4,076)
LEA Part B flow-through	846,374	-	846,327	-	(47)
Total Primary Government	\$ 8,194,978	\$ 214,469	\$ 4,022,598	\$ -	\$ (3,957,911)

General Revenues:

Property taxes, levied for general purposes	\$ 1,683,094
State aid-formula grants	1,990,022
Non-categorical federal funding	-
Unrestricted investment earnings	8,378
Total General Revenues	3,681,494
Change in Net Assets	(276,417)
Net Assets - Beginning	1,911,538
Net Assets - Ending	\$ 1,635,121

See accompanying notes to the financial statements.

GREEN VALLEY AREA EDUCATION AGENCY 14
Balance Sheet - Governmental Funds
June 30, 2009

	Non-Major Governmental Funds						Total
	Special Revenue		Shelter Care	Capital Projects	Non-Major Funds	Sub-Total	
	General	Spec Ed Instructional					
ASSETS							
Cash and cash equivalents	\$ 112,446	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,446
Investments	1,147,983	-	-	-	-	-	1,147,983
Due from other governments	494,344	-	-	-	-	-	494,344
Other receivables	17,933	-	-	-	-	-	17,933
Inventories	27,703	-	-	-	-	-	27,703
Prepaid expenses	99,447	-	-	-	-	-	99,447
Total Assets	<u>1,899,856</u>						<u>1,899,856</u>
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	325,630	-	-	-	-	-	325,630
Accrued payroll and benefits	569,927	-	-	-	-	-	569,927
Deferred revenues	226,760	-	-	-	-	-	226,760
Total Liabilities	<u>1,122,317</u>						<u>1,122,317</u>
Fund Balance							
Reserved/restricted							
Inventory	27,703	-	-	-	-	-	27,703
Media materials	16,134	-	-	-	-	-	16,134
Iowa Core	2,230	-	-	-	-	-	2,230
Teacher Quality Designated	27,705	-	-	-	-	-	27,705
Cash flow	450,000	-	-	-	-	-	450,000
Unreserved/undesignated	253,767	-	-	-	-	-	253,767
Total Fund Balance	<u>777,539</u>						<u>777,539</u>
Total Liabilities and Fund Balances	<u>\$ 1,899,856</u>					<u>\$ -</u>	<u>\$ 1,899,856</u>

See accompanying notes to the financial statements.

GREEN VALLEY AREA EDUCATION AGENCY 14
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2009

Total Fund Balances-Governmental Funds	\$	777,539
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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 Governmental Funds. The cost of the assets is \$2,652,312, less the accumulated depreciation of \$1,794,730.		857,582
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Total Net Assets - Governmental Activities	<u>\$</u>	<u>1,635,121</u>
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See accompanying notes to financial statements.

GREEN VALLEY AREA EDUCATION AGENCY 14
Statement of Revenues, Expenditures and
Changes in Fund Balances-Governmental Funds
For the Year Ended June 30, 2009

	General	Non-Major Governmental Funds				Total
		Special Revenue		Capital Projects	Non-Major Funds Sub-Total	
		Spec Ed Instructional	Shelter Care			
REVENUES						
Local sources & intermediate sources	\$ 1,987,931	\$ -	\$ -	\$ -	\$ -	\$ 1,987,931
State sources	2,593,290	-	-	-	-	2,593,290
Federal sources	3,331,125	-	-	-	-	3,331,125
Other sources	6,215	-	-	-	-	6,215
Total Revenues	7,918,561	-	-	-	-	7,918,561
EXPENDITURES						
Instruction	322,516	-	-	-	-	322,516
Student support services	2,775,743	-	-	-	-	2,775,743
Instructional staff support services	2,091,418	-	-	-	-	2,091,418
General administration	666,711	-	-	-	-	666,711
Building administration	366,682	-	-	-	-	366,682
Business administration	642,513	-	-	-	-	642,513
Printing and delivery services	149,309	-	-	-	-	149,309
Plant operations and maintenance	188,107	-	-	-	-	188,107
Central and other support services	23	-	-	-	-	23
Community service operations	78,801	-	-	-	-	78,801
LEA Part B Flowthrough	846,374	-	-	-	-	846,374
Total Expenditures	8,128,197	-	-	-	-	8,128,197
DEFICIENCY OF REVENUES UNDER EXPENDITURES						
	(209,636)	-	-	-	-	(209,636)
Fund Balances - Beginning	987,175	-	-	-	-	987,175
Fund Balances - Ending	\$ 777,539	\$ -	\$ -	\$ -	\$ -	\$ 777,539

See accompanying notes to the financial statements.

GREEN VALLEY AREA EDUCATION AGENCY 14
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2009

Total Net Change in Fund Balances-Government Funds \$ (209,636)

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Capital outlays are reported in governmental funds as expenditures. (65,588)
However, in the Statement of Activities, the cost of those assets is
allocated over their estimated useful life as depreciation expense.
This is the amount by which depreciation expense (\$147,797)
exceeds capital outlays (\$82,209)

The net effect of various miscellaneous transactions involving capital
assets (i.e. donations and write-offs) is to decrease net assets. (1,193)

Total Change in Net Assets of Governmental Activities \$ (276,417)

See accompanying notes to financial statements.

GREEN VALLEY AREA EDUCATION AGENCY 14
Notes to Financial Statements
June 30, 2009

(1) Summary of Significant Accounting Policies

Green Valley Area Education Agency 14 is an intermediate school corporation between the State Department of Education and the local school districts in its area as provided by Chapter 273 of the Code of Iowa. The Agency provides programs and support services necessary to meet the identified educational needs in the local school districts to enable them to operate efficiently and effectively. The Agency serves 21 school districts and non-public schools in an eight-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis. The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Green Valley Area Education Agency 14 has included all funds, organizations, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. Green Valley 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.

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

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

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

GREEN VALLEY AREA EDUCATION AGENCY 14
Notes to Financial Statements
June 30, 2009

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

The Agency reports the following major Governmental Fund:

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

C. Use of Estimates

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

D. Measurement Focus and Basis of Accounting

The Government-Wide Financial Statements are reported using the economic resources measurement focus. Also, they are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 90 days after year end.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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 recorded as other financing sources.

GREEN VALLEY AREA EDUCATION AGENCY 14
Notes to Financial Statements
June 30, 2009

(1) Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The Agency's Board of Directors annually prepares a budget on a basis consistent with generally accepted accounting principles. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board. Budgetary control is based on total expenditures.

F. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents- Cash includes amounts in demand deposits, money market funds and certificate of deposits. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

All short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have maturity date no longer than three months.

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

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable Governmental or Business-Type Activities column in the Government-Wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of \$3,000 and estimated useful lives in excess of two years.

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

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

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

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

GREEN VALLEY AREA EDUCATION AGENCY 14
Notes to Financial Statements
June 30, 2009

(1) Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities and Fund Equity (continued)

Long-Term Obligations – In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the Governmental Activities column in the Statement of Net Assets.

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

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

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

Restricted Net Assets – In the Government-Wide Statement of Net Asset, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

(2) Fair Value Measurement

For the year ended June 30, 2009, the Agency has opted to defer, in part, the application of Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, as allowed. Under SFAS 157, management discloses the “fair value” of each category of assets or liabilities, as well as the method by which management determined the “fair value” of each category of assets or liabilities. “Fair value” is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. Management may use any of the following three “inputs” to determine their valuation approach for determining the fair value of its assets and liabilities:

1. Quoted market prices for identical assets or liabilities in active markets;
2. Observable prices for similar assets or liabilities in markets that are not active;
3. Unobservable inputs based upon management’s assumptions, which are not corroborated by observable market data.

Management’s estimates of fair value at June 30, 2009, for significant classes of assets and liabilities are as follows:

<u>Asset/Liability Class</u>	<u>Financial Statement Value</u>	<u>Fair Value</u>	<u>Input Source</u>
Due From Other Governments	\$ 494,344	\$ 494,300	2
Prepaid Expenses	99,447	99,400	2
Capital Assets, net	857,582	857,600	2 and 3
Total Liabilities	1,122,317	1,122,300	2 and 3

GREEN VALLEY AREA EDUCATION AGENCY 14
Notes to Financial Statements
June 30, 2009

(3) Cash and Cash Equivalents

The Agency's cash and cash equivalents at June 30, 2009 were entirely covered by Federal depository insurance, collateralized with securities or letter of credit held by the Agency or the Agency's agent in the Agency's name, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

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

The Agency's investments at June 30, 2009 consisted of the following:

	<u>Cost</u>	<u>Market Value</u>
Iowa Schools Joint Investment Trust	<u>\$ 1,147,983</u>	<u>\$ 1,147,983</u>

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

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

GREEN VALLEY AREA EDUCATION AGENCY 14
Notes to Financial Statements
June 30, 2009

(4) Capital Assets

A summary of changes in Capital Assets for the year ended June 30, 2009 is shown below:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending of Year</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 70,210	\$ -0-	\$ -0-	\$ 70,210
Capital Assets Being Depreciated:				
Buildings	784,252	-0-	-0-	784,252
Furniture and Equipment	912,460	7,643	14,137	905,966
Library/Media Collection	<u>850,662</u>	<u>74,566</u>	<u>33,344</u>	<u>891,884</u>
Total Capital Assets Being Depreciated	<u>2,547,374</u>	<u>82,209</u>	<u>47,481</u>	<u>2,582,102</u>
Less Accumulated Depreciation for:				
Buildings	367,084	20,650	-0-	387,734
Furniture and Equipment	598,929	65,174	12,943	651,160
Library/Media Collection	<u>727,208</u>	<u>61,973</u>	<u>33,345</u>	<u>755,836</u>
Total Accumulated Depreciation	<u>1,693,221</u>	<u>147,797</u>	<u>46,288</u>	<u>1,794,730</u>
Total Capital Assets Being Depreciated, Net	<u>854,153</u>	<u>(65,588)</u>	<u>1,194</u>	<u>787,372</u>
Governmental Activities Capital Assets, Net	\$ <u>924,363</u>	\$ <u>(65,588)</u>	\$ <u>1,194</u>	\$ <u>857,582</u>

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

Governmental Activities:	
Instructional staff support services	\$ 96,095
Plant, central, and other support services	29,215
Business administration	8,377
Printing and delivery services	<u>14,110</u>
Total Governmental Activities Depreciation Expense	<u>\$ 147,797</u>

(5) Long-Term Debt

The Agency had no long-term debt during, or at the end of, the fiscal year ended June 30, 2009.

(6) Operating Leases

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

GREEN VALLEY AREA EDUCATION AGENCY 14
Notes to Financial Statements
June 30, 2009

(6) Operating Leases (continued)

At June 30, 2009, the Agency had \$19,193 of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year, due in the fiscal year ending June 30, 2010.

Total rental expenditures for the year ended June 30, 2009 for all operating leases, except those with terms of a month or less that were not renewed, was \$35,345.

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

Plan members are required to contribute 4.10% of their annual covered salary and the Agency is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 was approximately \$290,000, \$264,000, and \$236,000 respectively, equal to the required contributions for each year.

(8) Risk Management

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

(9) Legislative Action effecting AEA finances

The Iowa legislature has reduced State Aid to AEA's several times in the last few years. In FY09, AEA 14 received approximately \$300,000 less than provided for under the State Aid Funding Formula. This reduction, however, was \$64,000 less than the State Aid reduction during FY08. Based on current economic factors, additional reductions are anticipated for FY10.

(10) Commitment

Agency employees accumulate sick leave hours for subsequent use. These accumulations are not recognized as expenditures until used and are not payable in the event of the employee's termination, retirement or death. At June 30, 2009, the Agency's maximum liability for accumulated sick leave benefits was approximately \$1,184,000.

GREEN VALLEY AREA EDUCATION AGENCY 14
Notes to Financial Statements
June 30, 2009

(11) Annual Budget

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2009, expenditures did exceed budgeted amounts in Building Administration and Business Administration, however, the total budget was not exceeded.

(12) Subsequent Events

Management has reviewed and evaluated material subsequent events from the balance sheet date of June 30, 2009 through the financial statements date of January 27, 2010. All appropriate subsequent event disclosures, if any, have been made to the financial statements.

(13) Reorganization

On January 19, 2009, the Agency's Board of Directors approved the Agency's participation in a voluntary reorganization plan that will allow for the merger of Green Valley Area Education Agency 14 with Loess Hills Area Education Agency 13. The newly merged Agency, effective fiscal year beginning July 1, 2010, will be called Green Hills Area Education Agency and will serve the same school districts as served the by the Agencies listed above prior to the merger.

GREEN VALLEY AREA EDUCATION AGENCY 14

Required Supplementary Information

GREEN VALLEY AREA EDUCATION AGENCY 14
Required Supplementary Information
Budgetary Comparison Schedule - All Governmental Funds
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local and intermediate sources	\$ 2,166,289	\$ 2,098,094	\$ 1,987,931	\$ (110,163)
State sources	2,333,811	2,510,022	2,593,290	83,268
Federal sources	3,213,000	3,064,000	3,331,125	267,125
Total Revenues	7,713,100	7,672,116	7,912,346	240,230
EXPENDITURES				
Instruction	382,000	362,000	322,516	39,484
Student support services	2,718,000	2,750,000	2,775,743	(25,743)
Instructional staff support services	2,162,000	2,085,000	2,091,418	(6,418)
General administration	673,000	663,000	666,711	(3,711)
Building administration	382,000	400,000	366,682	33,318
Business administration	755,000	720,000	642,513	77,487
Printing, van delivery and coop purchasing	143,000	130,000	149,309	(19,309)
Plant operations and maintenance	221,000	190,000	188,107	1,893
Central and other support services	8,000	-	23	(23)
Noninstructional programs	67,000	66,000	78,801	(12,801)
LEA Part B flow-through	569,709	547,568	846,374	(298,806)
Total Expenditures	8,080,709	7,913,568	8,128,197	(214,629)
Excess (Deficiency) of Revenues Over Expenditures	(367,609)	(241,452)	(215,851)	25,601
OTHER FINANCING SOURCES (USES)				
Sales of equipment	12,000	10,000	6,215	(3,785)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing (Uses)	\$ (355,609)	\$ (231,452)	\$ (209,636)	\$ 21,816

See accompanying independent auditor's report.

GREEN VALLEY AREA EDUCATION AGENCY 14
Note to Required Supplementary Information – Budgetary Reporting
June 30, 2009

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

The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents function disbursements by fund, the legal level of control is at the total expenditure/expense level, not by fund. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

For the year ended June 30, 2009, the Agency's expenditures/expenses did not exceed the approved budget.

GREEN VALLEY AREA EDUCATION AGENCY 14

Other Supplementary Information

GREEN VALLEY AREA EDUCATION AGENCY 14
Schedule of Revenues by Source and Expenditures by Function -
All Governmental Fund Types
For the Last Four Years

	Modified Accrual Basis			
	Years ended June 30,			
	2009	2008	2007	2006
REVENUES				
Local sources	\$ 1,994,146	\$ 1,996,069	\$ 2,077,319	\$ 1,985,427
State	2,593,290	2,241,069	1,881,842	1,740,314
Federal	3,331,125	3,105,684	3,148,200	3,248,019
Total Revenues	<u>\$ 7,918,561</u>	<u>\$ 7,342,822</u>	<u>\$ 7,107,361</u>	<u>\$ 6,973,760</u>
EXPENDITURES				
Instruction	\$ 322,516	\$ 347,073	\$ 314,181	\$ 291,038
Student support services	2,775,743	2,643,950	2,350,141	2,380,612
Instructional staff support services	2,091,418	2,003,016	2,022,219	1,715,113
General administration	666,711	637,519	668,708	625,061
Building administration	366,682	378,300	342,248	313,963
Business administration	642,513	715,841	736,763	580,679
Printing and van delivery	149,309	100,217	127,520	142,021
Plant operations and maintenance	188,107	184,327	181,058	209,482
Central and other support services	23	388	11,694	13,906
Community service operations	78,801	66,192	68,861	69,733
LEA Part B flow through	846,374	569,709	575,465	590,413
Total Expenditures	<u>\$ 8,128,197</u>	<u>\$ 7,646,532</u>	<u>\$ 7,398,858</u>	<u>\$ 6,932,021</u>

See accompanying independent auditor's report.

GREEN VALLEY AREA EDUCATION AGENCY 11
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2009

<u>Project Title</u>	<u>CFDA Number</u>	<u>Pass through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Education:			
Passed-through State Dept. of Education:			
Special Education—Part B			
Early Childhood Education for the Handicapped	84.027	70814	\$ 1,844,610
LEA Flow-through	84.027	8KB2-14	547,568
Parent Educator Model 2008-2009	84.027	87414	74,725
Mclass Math Project	84.027		11,764
Instructional Decision Making	84.027	8K79-14	<u>43,958</u>
			* 2,522,625
Special Education – Part C			
Education of Handicapped Act Part C	84.181	C08-14	115,710
Special Education – Basic 619			
Preschool 3 through 5 P.L. 99-457	84.173	08619-14	128,347
Service Learning	94.004	09SL14	4,000
Reading First	84.357	2008-09	27,950
Title II			
E2T2, Part D	84.318	95106	83,734
Title III			
ELL	84.365	2007-08	3,758
ELL	84.365	2008-09	<u>14,524</u>
			18,282
Secondary Professional Development	84.323A	SDPG-14	14,832
Transition Assessment Institute	84.323A	105509	1,065
Every Learner Inquires	84.367	42309	5,292

See accompanying independent auditor's report.

GREEN VALLEY AREA EDUCATION AGENCY 14
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2009

<u>Project Title</u>	<u>CFDA Number</u>	<u>Pass through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Education (continued):			
Passed-through State Dept. of Education (continued):			
Science Professional Development	84.336		56,535
Early Childhood Professional Development	84.173		20,380
ARRA – Special Education Grants to States, Recovery Act	84.391	*	298,759
ARRA – Special Education – Preschool Grants, Recovery Act	84.392	*	<u>6,677</u>
Total U.S. Department of Education			\$ <u>3,304,188</u>

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

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Green Valley Area Education Agency 14 and is presented on the modified accrual basis. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

See accompanying independent auditor's report.



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Green Valley Area Education Agency 14 as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements listed in the table of contents, and have issued our report thereon dated January 27, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Green Valley Area Education Agency 14's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Green Valley Area Education Agency 14's financial statements that is more than inconsequential will not be prevented or detected by Green Valley Area Education Agency 14's internal control. We noted no matters involving the internal control over financial reporting and its operations to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Green Valley Area Education Agency 14's.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no matters involving internal control over financial reporting and its operations to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2009 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, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Agency and other parties to whom the Agency may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

January 27, 2010

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



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

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

Compliance

We have audited the compliance of Green Valley Area Education Agency 14, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Green Valley Area Education Agency 14's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Green Valley Area Education Agency 14's management. Our responsibility is to express an opinion on Green Valley Area Education Agency 14's compliance, based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Green Valley Area Education Agency 14's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Green Valley Area Education Agency 14's compliance with those requirements.

In our opinion, Green Valley Area Education Agency 14 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of Green Valley Area Education Agency 14 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Green Valley Area Education Agency 14's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Green Valley Area Education Agency 14's internal control over compliance.

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

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

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Green Valley Area Education Agency 14 and other parties to whom the Agency may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

January 27, 2010

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

GREEN VALLEY AREA EDUCATION AGENCY 14
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.391 – ARRA – Special Education Grants to States, Recovery Act
 - CFDA Number 84.392 – ARRA – Special Education Preschool Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Green Valley Area Education Agency 14 qualified as a low-risk auditee.

GREEN VALLEY AREA EDUCATION AGENCY 14
Schedule of Findings and Questioned Cost (continued)
For the Year Ended June 30, 2009

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

No Findings

Instances of Non-compliance:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

No Findings

GREEN VALLEY AREA EDUCATION AGENCY 14
Schedule of Findings and Questioned Cost (continued)
For the Year Ended June 30, 2009

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

- IV-A-09 Official Depositories - A resolution naming official depositories has been adopted by the Agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2009.
- IV-B-09 Budget - Expenditures for the year ended June 30, 2009 did not exceed the amount budgeted.
- IV-C-09 Questionable Expense - We noted no exceptions that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-09 Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- IV-E-09 Business Transactions - No business transactions between the Agency and Agency officials or employees were noted.
- IV-F-09 Bond Coverage - Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-G-09 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-H-09 Deposits and Investments - The Agency complied with provisions of Chapters 12B and 12C of the Code of Iowa.
- IV-I-09 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

GREEN VALLEY AREA EDUCATION AGENCY 14

Staff

This audit was performed by:

John Pittman, CPA, Partner
Cindy Shannon, CPA, Manager
Emily Burgers, CPA, Staff Auditor