



GRANT WOOD AREA EDUCATION AGENCY 10
Cedar Rapids, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2009



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GRANT WOOD AREA EDUCATION AGENCY 10

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Directors:		
James C. Green	President	2011
Dr. Lynne Cannon	Vice President	2011
Janet Martin	Director	2009
Marlene L. Hill	Director	2011
Robert Schneider	Director	2011
Mary Meisterling	Director	2011
Randall W. Jordison	Director	2009
Sue Gates	Director	2009
Morris Greenfield	Director	2009
Agency:		
Ronald S. Fielder	Chief Administrator	
Barbara Harms	Business Manager/Treasurer	
Kim Martin	Board Secretary	

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grant Wood Area Education Agency 10 as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Agency officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Grant Wood Area Education Agency 10 as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2010 on our consideration of Grant Wood Area Education Agency 10'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, budgetary comparison information, and schedule of funding progress for the retiree health plan on pages 5 through 10, pages 34 through 35, and page 36 are not required parts of the basic financial statements, but are supplementary information required by 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 Grant Wood Area Education Agency 10's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine 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 through 5, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Cedar Rapids, Iowa
March 18, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2009 FINANCIAL HIGHLIGHTS

- On June 11th - 14th 2008, the City of Cedar Rapids and other areas of eastern Iowa experienced a flood event of epic magnitude. Damages to the Agency's main facility and contents at the time of this publication are estimated at \$3.3 million. Additional information is included in the Notes to the Financial Statements.
- A new fund called the Disaster Recovery Fund was created in response to this disaster so the Agency could account for all flood recovery expenditures as well as all reimbursements from Federal and State sources. The Agency qualifies for Public Assistance benefits under guidelines established by FEMA. Due to the magnitude of flood and storm damages in the State of Iowa, FEMA is expected to pay 90% with the State of Iowa paying 10% of all Agency damages incurred. There are other flood recovery costs such as increased operating costs or reductions in some local revenues that will not qualify for FEMA and State reimbursement.
- General Fund Revenues increased from \$43,489,428 in fiscal year 2008 (FY08) to \$48,162,498 in fiscal year 2009 (FY09), while General Fund Expenditures increased from \$43,383,653 in FY08 to \$46,518,994 in FY09. General Fund net change in fund balance increased from \$(145,938) in FY08 to \$1,342,879 in FY09. This resulted in an increase in the Agency's General Fund fund balance from \$3,701,132 in FY08 to \$5,044,011 in FY09.
- The increase in General Fund revenues was attributable to increased state controlled funding and local sale of services revenue in FY09. Federal funds received under the American Recovery & Reinvestment Act (ARRA) contributed to the increase as well, with a corresponding increase in expenditures. The increase in expenditures was also due to an increase in services provided to local school districts and costs associated with increased salaries and benefits. Expenditures incurred for flood clean-up and recovery in FY 09 were \$3,190,040.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Agency-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Grant Wood Area Education Agency as a whole and present an overall view of the Agency's finances.

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

REPORTING THE AGENCY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

- Over time, increases or decreases in the Agency's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, additional non-financial factors, such as changes in the Agency's property tax base and the condition of its facilities, need to be considered.

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

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

The Fund Financial Statements

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

The Agency has two kinds of funds:

- 1) *Governmental funds* account for most of the Agency's basic services. These focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. Because this information does not encompass the additional long-term focus of the Agency-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements. The Agency's governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, and 3) the Debt Service Fund. The governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.
- 2) *Fiduciary funds* account for assets held by the Agency as an agent for individuals, private organizations, or other governments that cannot be used to support their own governmental activities or programs. The fiduciary funds held by Grant Wood are agency fund types, held on a temporary, purely custodial basis, therefore, these activities are not included in the Agency's agency-wide financial statements.

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

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

AGENCY-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Grant Wood Area Education Agency's net assets at the end of fiscal year 2009 totaled approximately \$9.6 million. This compared to approximately \$8.5 million at the end of fiscal 2008. The analysis that follows focuses on the net assets and changes in net assets. The agency does not have business-type activities.

	Condensed Statement of Net Assets (In Thousands)	
	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 16,392	\$ 11,540
Capital assets	<u>5,343</u>	<u>5,838</u>
Total assets	<u>19,905</u>	<u>17,378</u>
Long-term obligations	1,759	1,737
Other liabilities	<u>8,591</u>	<u>7,137</u>
Total liabilities	<u>10,350</u>	<u>8,874</u>

Net assets:		
Invested in capital assets, net of related debt	4,098	4,398
Restricted	1,251	1,272
Unrestricted	<u>4,206</u>	<u>2,834</u>
Total net assets	<u>\$ 9,555</u>	<u>\$ 8,504</u>

The Agency's combined net assets increased by approximately \$1,050,410 during fiscal year 2009 due to an increase in the cash balance related to receipts in June 2009 for ARRA funding and FEMA reimbursements.

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

	Changes in Net Assets (In Thousands)			
	Governmental Activities			
	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
Revenues:				
Program revenues:				
Charges for services	\$ 6,292	12%	\$ 5,797	13%
Operating grants and contributions	22,957	43%	17,682	38%
General revenues:				
Property taxes passed through district	10,688	20%	10,154	22%
State foundation aid	13,057	24%	12,270	26%
Unrestricted investment earnings	<u>43</u>	1%	<u>87</u>	1%
Total revenues	<u>53,037</u>	100%	<u>45,990</u>	100%
Program expenses:				
Instruction	4,487	9%	3,432	7%
Student support services	22,167	41%	19,219	42%
Instructional staff support services	12,515	23%	12,485	27%
General administration	2,095	4%	1,489	3%
Building administration	2,294	4%	1,991	4%
Business and central administration	3,203	6%	4,417	8%
Purchasing, distributing, printing, publishing, duplicating	901	2%	-	-
Plant operations and maintenance	1,442	3%	1,720	3%
Central and other support services	58	1%	(8)	1%
Non-instructional programs	1,047	2%	1,414	3%
Unallocated	80	1%	43	1%
Facilities acquisition and construction	1,633	3%	-	-
Long-term debt interest	<u>64</u>	1%	<u>71</u>	1%
Total expenses	<u>51,986</u>	100%	<u>46,273</u>	100%
Change in net assets	1,051		(283)	
Net assets, beginning of year	<u>8,504</u>		<u>8,787</u>	
Net assets, end of year	<u>\$ 9,555</u>		<u>\$ 8,504</u>	

Increases in federal funding from ARRA and FEMA account for the majority of the increase in total revenues. The increase in total expenses are primarily in the categories of instruction and student support services, as well as facilities acquisition and construction which reflect building flood repair costs.

Governmental Activities

Revenues for governmental activities were \$53,036,768 in FY09 and \$45,990,154 in FY08 and expenses were \$51,539,687 in FY09 and \$46,273,080 in FY08.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

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

The Agency's Governmental Funds reported combined fund balances of \$5,971,683, above last year's ending fund balances of \$4,474,602. The increase was primarily in the General Fund and occurred due to revenue levels (10.7% increase) that exceeded the growth of expenditures (7.2% increase).

BUDGETARY HIGHLIGHTS

The Agency's Board of Directors annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure level, not at the fund or fund type level. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board. Over the course of the year, the Agency amended its annual operating budget one time to reflect an increase in federal grant funding, a 1.5% across-the-board State funding reduction and adjustments to revenue and expenditures associated with flood clean-up and repairs. 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, 2009, the Agency had invested \$5.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers, equipment, and an extensive library/media collection. This is a net decrease of approximately \$496,000 from last year.

Grant Wood Area Education Agency had depreciation expense of \$1,016,317 in FY09 and total accumulated depreciation of \$9,708,576 at June 30, 2009. More detailed information about capital assets is available in Note 3 to the financial statements.

Debt

At June 30, 2009, the Agency had \$1,759,504 in long-term debt outstanding compared to \$1,737,300 at June 30, 2008. The long-term debt is in the form of certificates of participation, OPEB liability, and early retirement benefit payable. More detailed information about the Agency's long-term liabilities is available in Note 5 to the financial statements.

ECONOMIC FACTORS BEARING ON THE AGENCY'S FUTURE

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

- During June 2008, the City of Cedar Rapids experienced a historical flood event. The flood damaged an estimated 5,390 homes, as well as 1,133 businesses and 486 non-profit organizations. The damage estimates for the Agency's main facility at 4401 6th Street SW and contents at the time of this publication is over \$3.3 million. The Grant Wood Area Education Agency qualifies for Public Assistance benefits under guidelines established by the Federal Emergency Management Agency (FEMA). Due to the magnitude of flood and storm damages in the State of Iowa, FEMA is expected to pay 90% of eligible losses with the State of Iowa paying 10% of the damages incurred. There will be other incidental costs as a result of the flooding that may have an adverse financial impact upon the Agency, such as enrollment losses in local districts.
- Due to the impact of the national economic recession, the state budget outlook has become an area of concern. In October 2009, the Governor announced an across-the-board reduction in state funding to all state supported agencies of 10%. This equates to a cut of \$1.6 million for the Agency. Cash reserves and ARRA funds will be relied upon to handle the funding reduction, as 75% of the General Fund is related to staffing costs which are for the most part contractual obligations and not available for mid-year reductions. Additional cuts in state funding are a strong possibility and the Agency will need to consider cost saving measures in its budget planning.
- The Agency experienced a decrease in the number of students being served by its programs between FY08 and FY 09, after a number of years of increasing enrollments. The most recent budget enrollment count declined by 0.75% as of October 2009.
- In recent years, growth in employee wages and benefits has outpaced the increase in State controlled funding. This relationship has profound effects on the General Fund budget as approximately 75% of all expenditures are related to staff salaries and benefits. At this point, staff reductions based on attrition are anticipated for fiscal year 2011.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office of Grant Wood Area Education Agency, 4401 6th Street SW, Cedar Rapids, Iowa 52404.

BASIC FINANCIAL STATEMENTS

GRANT WOOD AREA EDUCATION AGENCY 10
STATEMENT OF NET ASSETS
June 30, 2009

Exhibit A

ASSETS

Cash and pooled investments	\$ 6,711,265
Receivables:	
Accounts	656,650
Due from other governments	7,065,146
Inventories	73,102
Prepaid expenses	56,148
Capital assets, net of accumulated depreciation	<u>5,342,528</u>
Total assets	<u>19,904,839</u>

LIABILITIES

Accounts payable	2,382,024
Salaries and benefits payable	2,208,967
Agency fund payable	478,043
Warrants in excess of bank balance	1,851,790
Accrued other	202,889
Deferred revenue:	
Federal	1,447,041
Local	19,874
Long-term liabilities:	
Portion due or payable within one year:	
Early retirement benefits payable	85,672
Compensated absences	75,154
Certificates of participation	150,000
Portion due or payable after one year:	
Early retirement benefits payable	238,628
Net OPEB liability	115,050
Certificates of participation	<u>1,095,000</u>
Total liabilities	<u>10,350,132</u>

NET ASSETS

Invested in capital assets, net of related debt	4,097,528
Restricted for:	
Media materials	430,407
Educational service projects	221,163
Special education instruction	338,805
Debt service	260,654
Unrestricted	<u>4,206,150</u>
Total net assets	<u>\$ 9,554,707</u>

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

GRANT WOOD AREA EDUCATION AGENCY 10
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Exhibit B

	Program revenues			Net Revenue (Expense) and Changes in Net Assets
	Operating			
Expenses	Charges for Services	Grants and Contributions	Governmental Activities	
FUNCTIONS / PROGRAMS				
Governmental activities:				
Instruction	\$ 4,487,439	\$ 1,941,938	\$ 2,610,165	\$ 64,664
Student support services	22,167,014	718,446	16,367,933	(5,080,635)
Instructional staff support services	12,514,910	2,077,084	1,201,342	(9,236,484)
General administration	2,094,452	56,322	-	(2,038,130)
Building administration	2,294,411	1,140	1,500	(2,291,771)
Business & central administration	3,203,121	8,637	-	(3,194,484)
Purchasing, distributing, printing, publishing, duplicating	900,666	-	-	(900,666)
Plant operations and maintenance	1,441,963	863	1,359,644	(81,456)
Central and other support services	57,792	1,463,029	332,321	1,737,558
Non instructional programs	1,047,307	-	-	(1,047,307)
Unallocated	80,288	23,991	254,540	198,243
Facilities acquisition and construction	1,633,130	-	829,202	(803,928)
Debt Service	63,865	-	-	(63,865)
	<u>\$ 51,986,358</u>	<u>\$ 6,291,450</u>	<u>\$ 22,956,647</u>	<u>(22,738,261)</u>
GENERAL REVENUES				
Property taxes passed through from districts				10,687,878
State foundation aid				13,057,449
Unrestricted investment earnings				43,344
Total general revenues				<u>23,788,671</u>
CHANGE IN NET ASSETS				<u>1,050,410</u>
NET ASSETS, BEGINNING OF YEAR				<u>8,504,297</u>
NET ASSETS, END OF YEAR				<u>\$ 9,554,707</u>

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

GRANT WOOD AREA EDUCATION AGENCY 10
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

Exhibit C

		Special Revenue		
	General	Off-Site Programs	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 6,084,761	\$ -	\$ 626,504	\$ 6,711,265
Receivables:				
Accounts	111,770	-	544,880	656,650
Due from other governments	5,248,794	1,816,352	-	7,065,146
Due from other funds	877,843	-	951,891	1,829,734
Inventories	73,102	-	-	73,102
Prepaid expenses	56,148	-	-	56,148
	<u>\$ 12,452,418</u>	<u>\$ 1,816,352</u>	<u>\$ 2,123,275</u>	<u>\$ 16,392,045</u>
Total assets				
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,231,502	\$ 20,137	\$ 130,385	\$ 2,382,024
Salaries and benefits payable	2,088,493	79,040	41,434	2,208,967
Agency fund payable	478,043	-	-	478,043
Other funds payable	951,891	-	877,843	1,829,734
Warrants in excess of bank balance	-	1,378,370	473,420	1,851,790
Accrued other	202,889	-	-	202,889
Deferred revenue:				
Federal	1,435,715	-	11,326	1,447,041
Local	19,874	-	-	19,874
	<u>7,408,407</u>	<u>1,477,547</u>	<u>1,534,408</u>	<u>10,420,362</u>
Total liabilities				
Fund balances:				
Reserved for:				
Encumbrances	609,784	-	-	609,784
Inventories	73,102	-	-	73,102
Debt service	-	-	260,654	260,654
Media materials	430,407	-	-	430,407
Professional leave	171,453	-	-	171,453
Subsequent years expenditures	400,433	-	-	400,433
Unreserved:				
Undesignated, reported in:				
General fund	3,358,832	-	-	3,358,832
Special revenue funds	-	338,805	49,365	388,170
Debt service fund	-	-	278,848	278,848
	<u>5,044,011</u>	<u>338,805</u>	<u>588,867</u>	<u>5,971,683</u>
Total fund balances				
Total liabilities and fund balances	<u>\$ 12,452,418</u>	<u>\$ 1,816,352</u>	<u>\$ 2,123,275</u>	<u>\$ 16,392,045</u>

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

GRANT WOOD AREA EDUCATION AGENCY 10
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2009

Exhibit D

Total fund balances of governmental funds (page 14) \$ 5,971,683

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in the
governmental funds 5,342,528

Long-term liabilities, including certificates of participation,
compensated absences and early retirement benefits are
not due and payable in the current period and, therefore, are
not reported as liabilities in the governmental funds (1,759,504)

Net assets of governmental activities (page 13) \$ 9,554,707

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

GRANT WOOD AREA EDUCATION AGENCY 10
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

Exhibit E

	<u>General</u>	<u>Special Revenue Off-Site Programs</u>	<u>Nonmajor</u>	<u>Total</u>
REVENUES				
Local sources	\$ 15,155,053	\$ 1,873,059	\$ 2,404	\$ 17,030,516
State sources	15,717,848	36,421	731,847	16,486,116
Federal sources	<u>17,289,597</u>	<u>-</u>	<u>2,230,539</u>	<u>19,520,136</u>
Total revenues	<u>48,162,498</u>	<u>1,909,480</u>	<u>2,964,790</u>	<u>53,036,768</u>
EXPENDITURES				
Instruction	2,217,209	1,601,086	660,272	4,478,567
Student support services	22,022,233	83,339	-	22,105,572
Instructional staff support services	12,214,471	-	44,073	12,258,544
General administration	1,987,993	-	-	1,987,993
Building administration	2,185,985	30,940	71,431	2,288,356
Business & central administration	3,152,350	-	-	3,152,350
Purchasing, distributing, printing, publishing, duplicating	900,666	-	-	900,666
Plant operations and maintenance	793,274	6,030	627,529	1,426,833
Central and other support services	3,280	3,999	-	7,279
Non instructional programs	1,041,533	-	-	1,041,533
Facilities acquisition and construction	-	-	1,633,129	1,633,129
Debt service	<u>-</u>	<u>-</u>	<u>258,865</u>	<u>258,865</u>
Total expenditures	<u>46,518,994</u>	<u>1,725,394</u>	<u>3,295,299</u>	<u>51,539,687</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,643,504</u>	<u>184,086</u>	<u>(330,509)</u>	<u>1,497,081</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	877,843	-	1,178,468	2,056,311
Transfers out	<u>(1,178,468)</u>	<u>-</u>	<u>(877,843)</u>	<u>(2,056,311)</u>
Total other financing sources (uses)	<u>(300,625)</u>	<u>-</u>	<u>300,625</u>	<u>-</u>
Excess of revenues and other financing sources (uses) over (under) expenditures	<u>1,342,879</u>	<u>184,086</u>	<u>(29,884)</u>	<u>1,497,081</u>
FUND BALANCES, BEGINNING OF YEAR	<u>3,701,132</u>	<u>154,719</u>	<u>618,751</u>	<u>4,474,602</u>
FUND BALANCES, END OF YEAR	<u>\$ 5,044,011</u>	<u>\$ 338,805</u>	<u>\$ 588,867</u>	<u>\$ 5,971,683</u>

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

GRANT WOOD AREA EDUCATION AGENCY 10
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2009

Exhibit F

Net change in fund balances - Total governmental funds (page 16) **\$ 1,497,081**

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

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

Capital outlays	\$ 521,776	
Depreciation expense	(1,016,317)	
Loss on dispositions	<u>(1,212)</u>	(495,753)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities 195,000

Compensated absences, OPEB expense, and early retirement benefit expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, were not reported as expenditures in the governmental funds (145,918)

Change in net assets of governmental activities (page 13) **\$ 1,050,410**

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

GRANT WOOD AREA EDUCATION AGENCY 10
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - AGENCY
June 30, 2009

Exhibit G

ASSETS

Accounts receivable	\$ 83,142
Due from other governments	25,511
General fund receivable	<u>478,043</u>

Total assets \$ 586,696

LIABILITIES

Accounts payable	\$ 41,969
Salaries payable	6,049
Deposits held in custody of others	<u>538,678</u>

Total liabilities \$ 586,696

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

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

(1) Summary of Significant Accounting Policies

Grant Wood Area Education Agency 10 (Agency) is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 54 school districts and private schools in a seven-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Grant Wood Area Education Agency 10 has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. Grant Wood Area Education Agency 10 has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

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

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

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

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

Fund Financial Statements - Separate financial statements are provided for governmental funds. The major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The Agency reports the following major governmental funds:

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

The Special Revenue - Off-site Programs Fund is used to account for special education instruction classes held off-site. The actual costs of providing instructional services are billed to the individual school districts.

The Agency reports the following nonmajor governmental funds:

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

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

The Disaster Recovery Fund is used to account for the cost of building clean-up, repairs and contents, as well as temporary facilities costs for the historic flood of June 2008.

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

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

D. Use of Estimates in Preparing Financial Statements

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

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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

E. Assets, Liabilities and Fund Equity

Cash and Pooled Investments - Cash includes amounts in demand deposits and money market funds. Investments are stated at fair value.

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

Inventories - Inventories are stated at cost using the first-in, first-out method and consist of expendable supplies and materials. The cost of these items is recorded as an expenditure at the time of consumption.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental activities columns in the Agency-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment	1,000
Library book and other media materials	Cost

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

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

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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

E. Assets, Liabilities and Fund Equity (continued)

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

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

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the statement of net assets representing the Agency's commitment to fund non-current compensated balances. This liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

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

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

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

F. Change in Accounting Principles

Effective July 1, 2008, the Agency adopted the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefit Plans Other Than Pension Plans (GASB45)*. This statement establishes uniform accounting and financial reporting standards for state and local governmental entities related to post employment benefits other than pension (OPEB).

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

(2) Cash and Pooled Investments

The Agency's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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, 2009 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Money market held at brokerage firm	\$ <u>260,654</u>	\$ <u>260,654</u>

(3) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>260,155</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>260,155</u>
Capital assets being depreciated:				
Buildings	5,944,794	-	-	5,944,794
Leasehold improvements	611,686	-	-	611,686
Furniture and equipment	4,270,414	303,944	19,893	4,554,465
Library books and film	<u>3,869,906</u>	<u>217,832</u>	<u>407,734</u>	<u>3,680,004</u>
Total assets being depreciated	<u>14,696,800</u>	<u>521,776</u>	<u>427,627</u>	<u>14,790,949</u>

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Less accumulated depreciation for:				
Buildings	2,837,553	118,895	-	2,956,448
Leasehold improvements	171,602	30,584	-	202,186
Furniture and equipment	2,860,522	498,838	18,681	3,340,679
Library books and film	<u>3,248,997</u>	<u>368,000</u>	<u>407,734</u>	<u>3,209,263</u>
Total accumulated depreciation	<u>9,118,674</u>	<u>1,016,317</u>	<u>426,415</u>	<u>9,708,576</u>
Total capital assets being depreciated, net	<u>5,578,126</u>	<u>(494,541)</u>	<u>1,212</u>	<u>5,082,373</u>
Governmental activities capital assets, net	<u>\$5,838,281</u>	<u>\$ (494,541)</u>	<u>\$ 1,212</u>	<u>\$5,342,528</u>

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

Governmental activities:

Instruction	\$ 1,259
Student support services	9,723
Instructional staff support services	470,264
General administration	212,604
Business administration	26,162
Plant operations and maintenance	31,018
Central and other support services	95,625
Non instructional programs	5,065
Unallocated	<u>164,597</u>

Total governmental activities depreciation expense \$1,016,317

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

A summary of the changes in short-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year
Anticipatory warrants	<u>\$ -</u>	<u>\$2,100,000</u>	<u>\$2,100,000</u>	<u>\$ -</u>

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

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

(5) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Early retirement benefit payable	\$ 297,300	\$ 99,125	\$ 72,125	\$ 324,300	\$ 85,672
Compensated absences	71,286	3,868	-	75,154	75,154
Certificates of participation	1,440,000	-	195,000	1,245,000	150,000
Net OPEB liability	<u>-</u>	<u>115,050</u>	<u>-</u>	<u>115,050</u>	<u>-</u>
Total	<u>\$1,808,586</u>	<u>\$ 218,043</u>	<u>\$ 267,125</u>	<u>\$1,759,504</u>	<u>\$ 310,826</u>

Early Retirement Benefit Payable

See Note 11 for a description of the plan. The following is a schedule by year of the future estimated minimum payments required:

<u>Year Ending June 30</u>	<u>Amount</u>
2010	\$ 86,672
2011	78,537
2012	63,022
2013	46,515
2014	29,971
2015 - 2018	<u>19,583</u>
Total	<u>\$ 324,300</u>

Certificates of Participation

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

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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

Year Ending June 30	Principal	Interest	Total
2010	\$ 150,000	\$ 56,065	\$ 206,065
2011	230,000	49,990	279,990
2012	235,000	40,653	275,653
2013	60,000	31,032	91,032
2014	60,000	28,303	88,303
2015-2019	345,000	95,045	440,045
2020-2021	<u>165,000</u>	<u>12,835</u>	<u>177,835</u>
Total	<u>\$ 1,245,000</u>	<u>\$ 313,923</u>	<u>\$ 1,558,923</u>

Payments for the certificates of participation for the year ended June 30, 2009, including interest, totaled \$258,865.

Advance Refunding

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

The Agency refunded the 1997 Certificates to reduce its total debt service payments over the next seven years by approximately \$163,235 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$80,900. The outstanding balance of the debt defeased totaled \$545,000 as of June 30, 2009.

(6) **Operating Leases**

The Agency has leased office equipment and various facilities within the area to house the different divisions of the Agency. These leases have been classified as operating leases and, accordingly, all rents are charged to expenditures as incurred. The leases expire between July 2009 and December 2013. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties and equipment. In most cases, management expects that the leases will be renewed or replaced by other leases.

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

(6) Operating Leases (continued)

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2009:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2010	\$ 220,535
2011	212,150
2012	212,149
2013	<u>3,642</u>
Total	<u>\$ 648,476</u>

The 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 \$254,176.

(7) Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 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 contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$1,753,848, \$1,573,362, and \$1,375,203, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

The Agency implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2009.

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

(8) Other Postemployment Benefits (OPEB) (continued)

Plan Description - The Agency participates in an Agent Multiple Employer Defined Benefit Health Care Plan called the Metro Interagency Insurance Program (MIIP). This plan provides health insurance benefits to eligible employees and their spouses. There are 63 retired members in the plan. The postemployment health coverage is provided through the MIIP plans. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. MIIP issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MIIP, 4401 6th Street SW, Cedar Rapids, IA 52404.

Funding Policy - The contribution requirements of plan members and the Agency are established and may be amended by the MIIP board of trustees. MIIP members receiving benefits contribute a monthly amount that varies depending on the health plan selected and coverage of the employee at the time of retirement. The Agency currently finances the retiree benefits on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The Agency's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Agency, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Agency's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation:

Annual required contribution	\$ 246,736
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>246,736</u>
Contributions made	<u>(131,686)</u>
Increase in net OPEB obligation	115,050
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u>\$ 115,050</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the Agency contributed \$131,686 to the medical plan. Plan members eligible for benefits contributed \$215,720, or 62% of the premium costs.

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

(8) Other Postemployment Benefits (OPEB) (continued)

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 246,736	53.4%	\$ 115,050

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$2,138,729, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,138,729. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$24,736,722, and the ratio of the UAAL to covered payroll was 8.7%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2008, actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions included a 2.5% investment rate of return and an annual healthcare cost trend rate of 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$285 per month for retirees less than age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

(9) Interfund Transfers, Receivables, and Payables

Interfund transfers for the year ended June 30, 2009, consisted of the following:

Transfer to debt service fund from general fund for debt service payments	\$ 226,577
Transfer to disaster recovery fund from general fund for flood repair expenses, included as due from/to other funds on the governmental funds balance sheet	951,891
Transfer to general fund from disaster recovery fund, included as due from/to other funds on the governmental funds balance sheet	<u>877,843</u>
Total transfers	<u>\$2,056,311</u>

(10) Risk Management

Grant Wood Area Education Agency 10 is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Commitments and Contingencies

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

Early retirement benefits - The Agency has adopted a separation plan for its employees. To be eligible, an employee must (1) have 20 years of continuous service, (2) not be receiving disability payments, and (3) be at least age 58. The employee must also elect to retire within three years upon first becoming eligible. The retirement benefit is equal to 50% of the average annual pay of the employee's highest three fiscal years. The retirement benefit shall be paid in up to five annual payments into the employee's account under the Special Pay Deferral 403(b) Plan. In the event of death of the employee prior to the payment of the retirement benefit, a lump sum payment of the amount due shall be made to the designated beneficiary. Early retirement benefits paid to thirteen participants during the year ended June 30, 2009 totaled \$360,056.

The Agency will continue to provide life insurance benefits up to the age of 65 and contribute up to \$140 of single coverage monthly premium cost toward the purchase of group medical, dental and/or vision insurance. The cost of retiree health care and life insurance benefits is recognized as claims and premiums are paid. Health care and life insurance claims and premiums paid for thirty-seven participants totaled \$72,125. After applying a discount rate of 5.15%, the present value of the Agency's early retirement benefits payable at June 30, 2009 totaled \$324,300. See Note 5 for changes in the long-term liability.

GRANT WOOD AREA EDUCATION AGENCY 10
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

(11) Commitments and Contingencies (continued)

Construction projects - Contractual commitments for construction projects entered into before June 30, 2009 related to the Flood of 2008 total \$346,609.

(12) New Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2009, the GASB had issued several Statements not yet implemented by the Agency. The Statements which might impact the Agency are as follows:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the Agency beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the Agency beginning with its year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.
- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the Agency beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

The Agency's management has not yet determined the effect these Statements will have on the Agency's financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2009

		Budget		Final to Actual Variance - Favorable (Unfavorable)
	Actual	Original	Final	
REVENUES				
Local sources	\$ 17,030,516	\$ 16,272,878	\$ 16,306,984	\$ 723,532
State sources	16,486,116	15,792,179	16,708,075	(221,959)
Federal sources	19,520,136	14,850,000	17,293,098	2,227,038
Total revenues	53,036,768	46,915,057	50,308,157	2,728,611
EXPENDITURES				
Instruction	4,478,567	3,009,801	3,449,300	(1,029,267)
Student support services	22,105,572	19,230,904	20,519,802	(1,585,770)
Instructional staff support services	12,258,544	13,250,000	13,716,514	1,457,970
General administration	1,987,993	2,215,000	2,269,409	281,416
Building administration	2,288,356	2,163,084	2,182,270	(106,086)
Business & central administration	3,152,350	3,300,000	3,181,112	28,762
Purchasing, distributing, printing publishing, duplicating	900,666	860,000	916,026	15,360
Plant operations and maintenance	1,426,833	973,700	1,350,175	(76,658)
Central and other support services	7,279	14,500	15,974	8,695
Non instructional programs	1,041,533	1,355,000	1,339,404	297,871
Facilities acquisition and construction	1,633,129	-	1,600,000	(33,129)
Debt service	258,865	265,000	268,865	10,000
Total expenditures	51,539,687	46,636,989	50,808,851	(730,836)
Excess (deficiency) of revenues over (under) expenditures	1,497,081	278,068	(500,694)	1,997,775
OTHER FINANCING SOURCES, NET	-	62,904	(10,000)	10,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	1,497,081	340,972	(510,694)	2,007,775
FUND BALANCE, BEGINNING OF YEAR	4,474,602	4,878,936	4,443,732	30,870
FUND BALANCE, END OF YEAR	\$ 5,971,683	\$ 5,219,908	\$ 3,933,038	\$ 2,038,645

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

GRANT WOOD AREA EDUCATION AGENCY 10
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
June 30, 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 accounting principles generally accepted in the United States of America. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure/expense level, not by fund. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

During the year ended June 30, 2009, a budget amendment increased budgeted revenues by \$3,393,100 and expenditures by \$4,169,135. The budget amendment is reflected in the final budgeted amounts.

The budget was amended by the Agency in January 2009. Notification of ARRA funding to the Agency and its districts received late in the year did not allow the Agency to properly amend its budget for the additional pass through dollars received and spent by June 30, 2009.

GRANT WOOD AREA EDUCATION AGENCY 10
 Schedule of Funding Progress for the
 Retiree Health Plan
 (In Thousands)

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 2,139	\$ 2,139	0.0%	\$ 24,737	8.7%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

GRANT WOOD AREA EDUCATION AGENCY 10
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2009

Schedule 1

	Special Revenue				
	Pool Transportation	Juvenile Home	Disaster Recovery	Debt Service	Total
ASSETS					
Cash and pooled investments	\$ 49,365	\$ 37,637	-	\$ 539,502	\$ 626,504
Receivables:					
Accounts	-	4,538	540,342	-	544,880
Due from other funds	-	-	951,891	-	951,891
Total assets	\$ 49,365	\$ 42,175	\$ 1,492,233	\$ 539,502	\$ 2,123,275
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	-	741	129,644	-	\$ 130,385
Payable to general fund	-	-	877,843	-	877,843
Salaries and benefits payable	-	41,434	-	-	41,434
Warrants in excess of bank balance	-	-	473,420	-	473,420
Deferred revenue: federal	-	-	11,326	-	11,326
Total liabilities	-	42,175	1,492,233	-	1,534,408
Fund Balances					
Reserved:					
Debt service	-	-	-	260,654	260,654
Unreserved, undesignated	49,365	-	-	278,848	328,213
Total fund balances	49,365	-	-	539,502	588,867
Total liabilities and fund balances	\$ 49,365	\$ 42,175	\$ 1,492,233	\$ 539,502	\$ 2,123,275

GRANT WOOD AREA EDUCATION AGENCY 10
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2009

Schedule 2

	<u>Special Revenue</u>				<u>Total</u>
	<u>Pool Transportation</u>	<u>Juvenile Home</u>	<u>Disaster Recovery</u>	<u>Debt Service</u>	
REVENUES					
Local sources	\$ -	\$ -	\$ -	\$ 2,404	\$ 2,404
State sources	-	724,237	7,610	-	731,847
Federal sources	-	-	2,230,539	-	2,230,539
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	-	724,237	2,238,149	2,404	2,964,790
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES					
Instruction	-	652,806	7,466	-	660,272
Instructional staff support services	-	-	44,073	-	44,073
Building administration	-	71,431	-	-	71,431
Plant operations and maintenance	-	-	627,529	-	627,529
Facilities acquisition and construction	-	-	1,633,129	-	1,633,129
Debt service	-	-	-	258,865	258,865
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	724,237	2,312,197	258,865	3,295,299
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Deficiency of revenues over expenditures	-	-	(74,048)	(256,461)	(330,509)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES					
Transfers in	-	-	951,891	226,577	1,178,468
Transfers out	-	-	(877,843)	-	(877,843)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	-	-	-	(29,884)	(29,884)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES, BEGINNING OF YEAR	49,365	-	-	569,386	618,751
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES, END OF YEAR	\$ 49,365	\$ -	\$ -	\$ 539,502	\$ 588,867
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

GRANT WOOD AREA EDUCATION AGENCY 10
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2009

Schedule 3

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
ASSETS				
Accounts receivable	\$ 121,622	\$ 1,036,429	\$ 1,074,909	\$ 83,142
Due from other governments	19,351	6,160	-	25,511
General fund receivable	<u>364,546</u>	<u>1,068,749</u>	<u>955,252</u>	<u>478,043</u>
Total assets	<u>\$ 505,519</u>	<u>\$ 2,111,338</u>	<u>\$ 2,030,161</u>	<u>\$ 586,696</u>
LIABILITIES				
Accounts payable	\$ 17,097	\$ 582,172	\$ 557,300	\$ 41,969
Salaries payable	1,851	347,404	343,206	6,049
Accrued other	-	54,746	54,746	-
Deposits held in custody of others	<u>486,571</u>	<u>52,107</u>	<u>-</u>	<u>538,678</u>
Total liabilities	<u>\$ 505,519</u>	<u>\$ 1,036,429</u>	<u>\$ 955,252</u>	<u>\$ 586,696</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u> *	<u>2006</u> *
REVENUES				
Local sources	\$ 17,030,516	\$ 16,038,177	\$ 15,041,418	\$ 13,983,285
State sources	16,486,116	14,749,636	12,264,922	11,178,373
Federal sources	<u>19,520,136</u>	<u>15,202,341</u>	<u>14,987,496</u>	<u>15,511,872</u>
 Total revenues	 <u>\$ 53,036,768</u>	 <u>\$ 45,990,154</u>	 <u>\$ 42,293,836</u>	 <u>\$ 40,673,530</u>
 EXPENDITURES				
Instruction	\$ 4,478,567	\$ 3,431,606	\$ 3,218,572	\$ 2,861,860
Student support services	22,105,572	19,216,300	17,612,480	16,334,283
Instructional staff support services	12,258,544	12,361,673	11,276,485	12,251,021
General administration	1,987,993	1,444,593	1,781,740	1,282,735
Building administration	2,288,356	1,990,916	1,937,768	1,612,866
Business & central administration	3,152,350	4,402,141	3,887,997	3,866,531
Purchasing, distributing, printing publishing, duplicating	900,666	-	-	-
Plant operations and maintenance	1,426,833	1,712,287	757,681	661,940
Central and other support services	7,279	9,432	10,979	190,256
Non instructional programs	1,041,533	1,412,006	1,151,924	1,065,020
Facilities acquisition and construction	1,633,129	-	-	-
Debt service	258,865	271,023	279,755	290,239
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures	 <u>\$ 51,539,687</u>	 <u>\$ 46,251,977</u>	 <u>\$ 41,915,381</u>	 <u>\$ 40,416,751</u>

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

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 13,132,227	\$ 13,037,224	\$ 12,209,133	\$ 11,696,661	\$ 12,103,600	\$ 11,668,431
10,603,900	10,300,970	11,591,250	12,315,824	11,676,799	11,119,744
<u>14,849,789</u>	<u>13,003,285</u>	<u>10,971,592</u>	<u>8,943,745</u>	<u>7,402,194</u>	<u>6,240,063</u>
<u>\$ 38,585,916</u>	<u>\$ 36,341,479</u>	<u>\$ 34,771,975</u>	<u>\$ 32,956,230</u>	<u>\$ 31,182,593</u>	<u>\$ 29,028,238</u>
\$ 2,895,016	\$ 2,935,981	\$ 2,552,239	\$ 2,118,616	\$ 2,092,620	\$ 1,710,317
21,842,877	20,282,887	19,352,674	17,854,011	16,197,220	15,306,517
5,320,170	4,792,394	4,671,453	4,964,877	4,776,570	4,514,023
1,330,034	1,052,261	1,169,882	1,339,004	1,465,115	1,148,793
1,400,136	1,413,081	1,262,465	1,261,330	1,370,224	1,183,169
1,176,309	1,006,928	1,131,737	1,058,055	1,013,489	922,158
-	-	-	-	-	-
894,915	891,464	1,022,349	844,929	665,166	556,307
2,898,370	3,377,635	2,806,745	3,534,387	2,714,479	2,682,164
59,409	678	31,145	32,558	238	717
-	-	-	-	-	-
1,464,930	287,408	288,311	415,756	393,507	204,024
<u>-</u>	<u>51,996</u>	<u>95,641</u>	<u>1,383,963</u>	<u>322,156</u>	<u>12,564</u>
<u>\$ 39,282,166</u>	<u>\$ 36,092,713</u>	<u>\$ 34,384,641</u>	<u>\$ 34,807,486</u>	<u>\$ 31,010,784</u>	<u>\$ 28,240,753</u>

See independent auditor's report.

GRANT WOOD AREA EDUCATION AGENCY 10
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

Schedule 5

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Indirect:		
U.S. Department of Education:		
Iowa Department of Education:		
Special Education - Grants to States	84.027*	
IDEA Part B Section 611		\$ 9,556,072
Information Management Systems		332,321
Parent Educator Connection		143,770
Instructional Decision Making		97,296
Instructional Decision Making - State		36,167
IDEA - Flowthrough to LEA		<u>3,547,904</u>
		<u>13,713,530</u>
Special Education - Preschool Grants	84.173*	
Section 619		<u>359,856</u>
Special Education - Grants for		
Infants and Families with Disabilities:	84.181	
Part C - Infant & Toddler		<u>348,690</u>
Perkins Vocational Education	84.048A	<u>267,228</u>
Special Education - State Professional		
Development Grants		
SPDG - Secondary Professional	84.323A	25,913
Development Grant	84.323	<u>152,110</u>
IGISST - Science Grant		<u>178,023</u>
Reading First State Grants	84.357	<u>22,325</u>
English Language Acquisition - Title III	84.365	<u>134,497</u>
Every Learner Inquiries - Title IIA	84.367	<u>10,175</u>
American Recovery and Reinvestment Act		
Special Education - Grants to States,		
Recovery Act - Part B Section 611	84.391*	<u>1,963,993</u>
Special Education - Grants for Infants		
and Families, Recovery Act - Part C	84.393	<u>84,010</u>
Total Iowa Department of Education		17,082,327

(continued)

**GRANT WOOD AREA EDUCATION AGENCY 10
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009**

Schedule 5

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Indirect: (continued)		
U.S. Department of Education: (continued)		
Iowa Department of Corrections:		
Special Education - Grants to States		
Inmate Screening	84.027*	98,121
Total U.S. Department of Education		17,180,448
Corporation for National Community Service		
Iowa Department of Education		
Learn and Serve America-School and Community Based Programs	94.004	2,644
Department of Homeland Security		
Iowa Homeland Security and Emergency Management Division		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	2,230,539
Total		\$19,413,631

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Grant Wood Area Education Agency 10 and is presented on the modified accrual basis. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

* Total expenditures for CFDA Number 84.027 were \$13,811,651 and was tested as a major program along with CFDA Number 84.173 and CFDA Number 84.391. Special education cluster expenditures totaled \$16,135,500.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grant Wood Area Education Agency 10 (the Agency) as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

Compliance and Other Matters

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

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

Clifton Gunderson LLP

Cedar Rapids, Iowa
March 18, 2010

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

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

Compliance

We have audited the compliance of Grant Wood Area Education Agency 10 (the Agency) with the types of compliance requirements described in *the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

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

In our opinion, Grant Wood Area Education Agency 10 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Clifton Henderson LLP

Cedar Rapids, Iowa
March 18, 2010

**GRANT WOOD AREA EDUCATION AGENCY 10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 84.173 84.391	Special Education Cluster: Special Education - Grant to States Special Education - Preschool Grants ARRA Special Education - Grants to States
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs: \$ 582,409

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

**GRANT WOOD AREA EDUCATION AGENCY 10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

Section II: Findings Related to the Financial Statements:

No matters were reported.

Section III: Findings and Questioned Costs for Federal Awards:

No matters were reported.

GRANT WOOD AREA EDUCATION AGENCY 10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

Section IV - Other Findings Related to Required Statutory Reporting

IV-A-09 Budget - Expenditures during the year ended June 30, 2009 exceeded the amount budgeted.

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

Response - The budget was amended by the Agency in January 2009. Notification of ARRA funding to the Agency and its districts received late in the year did not allow the Agency to properly amend its budget for the additional pass through dollars received and spent by June 30, 2009.

Conclusion - Response accepted.

IV-B-09 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-09 Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

IV-D-09 Business Transactions - No business transactions between the Agency and Agency officials and/or employees were noted.

IV-E-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-F-09 Board Minutes - No transactions requiring Board approval were noted which had not been approved.

IV-G-09 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted.

IV-H-09 Certified Annual Report - The Certified Annual Report (CAR) was filed with the Department of Education timely and we noted no significant discrepancies in the amounts reported.

GRANT WOOD AREA EDUCATION AGENCY 10
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2009

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

GRANT WOOD AREA EDUCATION AGENCY 10

Audit Staff

This audit was performed by:

William Vincent, CPA, Partner

Michele Matt, CPA, Senior Manager

Justin Zimmerman, CPA, Manager

James Fitzpatrick, CPA, Manager

Joshua Barta, Senior Associate

Alan Moran, Associate