



**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, 2010**



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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
Marlene L. Hill	Director	2011
Robert Schneider	Director	2011
Mary Meisterling	Director	2011
Sue Gates	Director	2013
Morris Greenfield	Director	2013
Marilyn Wirtz	Director	2013
Pamela Jacobs	Director	2013
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, 2010, 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, 2010, 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 January 11, 2011 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 the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 10, pages 35 through 36, and page 37 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, 2009 (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 Henderson LLP*

Cedar Rapids, Iowa  
January 11, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2010. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$48,162,498 in fiscal year 2009 (FY09) to \$58,223,234 in fiscal year 2010 (FY10), an increase of \$10,060,736. General Fund expenditures increased from \$46,518,994 in FY09 to \$54,212,788 in FY10, an increase of \$7,693,794. General Fund net change in fund balance increased from \$1,342,879 in FY09 to \$3,576,297 in FY10. This resulted in an increase in the Agency's General Fund fund balance from \$5,044,011 in FY09 to \$8,620,308 in FY10.
- The increase in General Fund revenues was primarily federal funds received under the American Recovery & Reinvestment Act (ARRA), with a corresponding increase in expenditures (\$7.8 million of the total increase was ARRA funds that immediately flowed through to local school districts). There was an offsetting decrease in state controlled funding of \$1,278,928 attributable to a 10% across-the-board reduction made in October 2009. ARRA funds and cash reserves were utilized to cover the mid-year funding reduction, but the Agency also reduced expenditures in some areas using attrition and targeted spending controls. Local sale of services revenue also increased by \$362,561 in FY10, as compared to FY 09.
- On June 11<sup>th</sup> - 14<sup>th</sup> 2008, the City of Cedar Rapids and other areas of eastern Iowa experienced a flood event of epic magnitude. Total damages to the Agency's main facility and contents to date were estimated at \$3.95 million. The Disaster Recovery Fund was used to account for all flood recovery expenditures (\$534,580 for FY10), as well as all reimbursements from Federal and State sources. The Agency qualified for Public Assistance benefits under guidelines established by FEMA. A flood insurance penalty totaling \$695,055 has been deducted by FEMA from the claims, and the Agency continues to pursue available options for appeal of that penalty.

### 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 retiree health costs 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 2010 totaled approximately \$13.9 million. This compared to approximately \$9.6 million at the end of fiscal 2009. The analysis that follows focuses on the net assets and changes in net assets. The agency does not have business-type activities.

	<b>Condensed Statement of Net Assets (In Thousands)</b>	
	<b>Governmental Activities</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>
Current and other assets	\$ 17,351	\$ 16,392
Capital assets	<u>5,944</u>	<u>5,343</u>
Total assets	<u>23,295</u>	<u>19,905</u>
Long-term obligations	1,673	1,759
Other liabilities	<u>7,749</u>	<u>8,591</u>
Total liabilities	<u>9,422</u>	<u>10,350</u>

Net assets:		
Invested in capital assets, net of related debt	4,849	4,098
Restricted	1,128	1,251
Unrestricted	<u>7,896</u>	<u>4,206</u>
Total net assets	<u>\$ 13,873</u>	<u>\$ 9,555</u>

The Agency's combined net assets increased by approximately \$4,318,148 during fiscal year 2010 due to an increase in cash balance related to receipts for ARRA and growth in other federal funds. There was also a decrease in the liability for federal deferred revenue, since the majority of those ARRA funds were expended to cover staff costs originally budgeted from state funding.

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

	<b>Changes in Net Assets (In Thousands)</b>			
	<b>Governmental Activities</b>			
	<u>2010</u>	<u>%</u>	<u>2009</u>	<u>%</u>
Revenues:				
Program revenues:				
Charges for services	\$ 6,092	10%	\$ 6,292	12%
Operating grants and contributions	31,754	52%	22,957	43%
General revenues:				
Property taxes passed through district	11,048	18%	10,688	20%
State foundation aid	12,134	20%	13,057	24%
Unrestricted investment earnings	<u>53</u>	0%	<u>43</u>	1%
Total revenues	<u>61,081</u>	100%	<u>53,037</u>	100%
Program expenses:				
Instruction	3,417	6%	4,487	9%
Student support services	29,430	52%	22,167	41%
Instructional staff support services	13,888	24%	12,515	23%
General administration	2,116	4%	2,095	4%
Building administration	2,336	4%	2,294	4%
Business and central administration	2,350	4%	3,203	6%
Purchasing, distributing, printing, publishing, duplicating	899	2%	901	2%
Plant operations and maintenance	1,119	2%	1,442	3%
Central and other support services	63	0%	58	1%
Non-instructional programs	912	2%	1,047	2%
Unallocated	12	0%	80	1%
Facilities acquisition and construction	165	0%	1,633	3%
Long-term debt interest	<u>56</u>	0%	<u>64</u>	1%
Total expenses	<u>56,763</u>	100%	<u>51,986</u>	100%
Change in net assets	4,318		1,051	
Net assets, beginning of year	<u>9,555</u>		<u>8,504</u>	
Net assets, end of year	<u>\$ 13,873</u>		<u>\$ 9,555</u>	

Increases in federal funding from ARRA and IDEA Part B account for the majority of the increase in total revenues. The increase in total expenses is primarily in student support services, which reflects the growth in flow-through of ARRA funds to school districts. Decreases in plant operations and maintenance, as well as facilities acquisition and construction are due to the timing of building flood repair costs which occurred primarily during FY09.

### **Governmental Activities**

Revenues for governmental activities were \$61,081,432 in FY10 and \$53,036,768 in FY09 and expenses were \$56,763,284 in FY10 and \$51,986,358 in FY09.

### **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 \$9,522,529, above last year's ending fund balances of \$5,971,683. The increase was primarily in the General Fund and occurred due to revenue levels (15.2% increase) that exceeded the growth of expenditures (11.6% 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 and the 10% across-the-board State funding reduction, as well as adjusted costs for 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, 2010, the Agency had invested \$5.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers, equipment, intangibles and an extensive library/media collection. This is a net increase of approximately \$600,000 from last year, and is due to the new requirement to include intangible assets (primarily software).

Grant Wood Area Education Agency had depreciation expense of \$1 million in FY10 and total accumulated depreciation of \$10.4 million at June 30, 2010. More detailed information about capital assets is available in Note 3 to the financial statements.

#### **Debt**

At June 30, 2010, the Agency had \$1,672,776 in long-term debt outstanding compared to \$1,759,504 at June 30, 2009. 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:

- Due to the impact of the national economic recession, the state budget outlook continues to be an area of concern. The 10% across-the-board reduction in funding to all state supported agencies made in October 2009 equated to a cut of \$1.6 million for the Agency. The 2010 Legislature delayed setting the Allowable Growth rate for FY12, so while unknown at publication time, it is anticipated to be 0-1%. Additional cuts in state funding are a strong possibility and the Agency will need to consider cost saving measures in its budget planning.
- Future enrollment stability is a critical element in maintaining a sound financial foundation. The Agency experienced overall decreases in the number of students being served by its programs between October 2007 and October 2009, after a number of years of increasing enrollments. The most recent preliminary enrollment count is essentially flat (increase of 0.03%) as of October 2010.
- Growth in employee wages related to salary schedule movement and increased benefit costs are anticipated to outpace 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.
- For three consecutive years (FY09 – FY11), there have been no increases in health insurance premiums. Medical claims expenses have been trending upward though, and premiums are projected to increase somewhere between 5% and 15% for FY12. Plan design adjustments are under discussion, but health insurance rates will continue to be a key budgetary factor.
- 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 total documented damages for the Agency's main facility at 4401 6<sup>th</sup> Street SW and contents at the time of this publication is over \$3.95 million. The Grant Wood Area Education Agency qualified 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, the Agency submitted reimbursement requests to FEMA for 90% of eligible losses with the State of Iowa paying 10% of all qualifying damages incurred. A flood insurance penalty totaling \$695,055 has been deducted by FEMA from the claims, and the Agency continues to pursue available options for appeal of that penalty. There are also incidental flood costs (such as enrollment losses in local districts) that do not qualify for FEMA reimbursement.

## **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 6<sup>th</sup> Street SW, Cedar Rapids, Iowa 52404.

## BASIC FINANCIAL STATEMENTS

**GRANT WOOD AREA EDUCATION AGENCY 10**  
**STATEMENT OF NET ASSETS**  
**June 30, 2010**

**Exhibit A**

**ASSETS**

Cash and cash equivalents	\$ 9,799,346
Receivables:	
Accounts	31,176
Due from other governments	7,432,053
Inventories	60,339
Prepaid expenses	28,074
Capital assets, net of accumulated depreciation	<u>5,944,237</u>
<b>Total assets</b>	<u><b>23,295,225</b></u>

**LIABILITIES**

Accounts payable	2,198,313
Salaries and benefits payable	2,348,330
Agency fund payable	617,448
Warrants in excess of bank balance	2,296,950
Accrued other	203,373
Deferred revenue:	
Federal	80,745
Local	4,435
Long-term liabilities:	
Portion due or payable within one year:	
Early retirement benefits payable	78,865
Compensated absences	125,413
Certificates of participation	230,000
Portion due or payable after one year:	
Early retirement benefits payable	161,635
Net OPEB liability	211,863
Certificates of participation	<u>865,000</u>
<b>Total liabilities</b>	<u><b>9,422,370</b></u>

**NET ASSETS**

Invested in capital assets, net of related debt	4,849,237
Restricted for:	
Media materials	430,352
Educational service projects	203,259
Special education instruction	287,923
Debt service	206,085
Unrestricted	<u>7,895,999</u>
<b>Total net assets</b>	<u><b>\$ 13,872,855</b></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, 2010**

**Exhibit B**

	Program revenues			Net Revenue (Expense) and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>FUNCTIONS / PROGRAMS</b>				
Governmental activities:				
Instruction	\$ 3,417,436	\$ 1,774,863	\$ 2,443,772	\$ 801,199
Student support services	29,429,825	610,576	27,446,338	(1,372,911)
Instructional staff support services	13,887,608	2,060,815	1,056,627	(10,770,166)
General administration	2,115,939	62,506	-	(2,053,433)
Building administration	2,335,965	35	3,000	(2,332,930)
Business & central administration	2,350,399	1,332,388	383,460	(634,551)
Purchasing, distributing, printing, publishing, duplicating	899,306	202,746	-	(696,560)
Plant operations and maintenance	1,119,319	11,468	-	(1,107,851)
Central and other support services	62,445	3,240	-	(59,205)
Non instructional programs	911,748	-	-	(911,748)
Unallocated	12,100	32,936	88,803	109,639
Facilities acquisition and construction	165,129	400	331,499	166,770
Debt Service	56,065	-	-	(56,065)
	<u>\$ 56,763,284</u>	<u>\$ 6,091,973</u>	<u>\$ 31,753,499</u>	<u>(18,917,812)</u>
<b>GENERAL REVENUES</b>				
Property taxes passed through from districts				11,048,261
State foundation aid				12,134,274
Unrestricted investment earnings				53,425
Total general revenues				23,235,960
<b>CHANGE IN NET ASSETS</b>				4,318,148
<b>NET ASSETS, BEGINNING OF YEAR</b>				9,554,707
<b>NET ASSETS, END OF YEAR</b>				\$ 13,872,855

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

**GRANT WOOD AREA EDUCATION AGENCY 10**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2010**

Exhibit C

	Special Revenue				<u>Total</u>
	<u>General</u>	<u>Off-Site Programs</u>	<u>Disaster Recovery</u>	<u>Nonmajor</u>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 9,165,648	\$ -	\$ -	\$ 633,698	\$ 9,799,346
Receivables:					
Accounts	2,782	-	-	28,394	31,176
Due from other governments	4,851,319	1,709,962	870,772	-	7,432,053
Due from other funds	877,843	-	1,154,570	-	2,032,413
Inventories	60,339	-	-	-	60,339
Prepaid expenses	28,074	-	-	-	28,074
	<u>\$ 14,986,005</u>	<u>\$ 1,709,962</u>	<u>\$ 2,025,342</u>	<u>\$ 662,092</u>	<u>\$ 19,383,401</u>
<b>Total assets</b>					
	<u>\$ 14,986,005</u>	<u>\$ 1,709,962</u>	<u>\$ 2,025,342</u>	<u>\$ 662,092</u>	<u>\$ 19,383,401</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 2,022,954	\$ 175,098	\$ -	\$ 261	\$ 2,198,313
Salaries and benefits payable	2,292,429	87,233	-	47,533	2,427,195
Agency fund payable	617,448	-	-	-	617,448
Other funds payable	1,154,570	-	877,843	-	2,032,413
Warrants in excess of bank balance	-	1,159,708	1,137,242	-	2,296,950
Accrued other	203,373	-	-	-	203,373
Deferred revenue:					
Federal	70,488	-	10,257	-	80,745
Local	4,435	-	-	-	4,435
	<u>6,365,697</u>	<u>1,422,039</u>	<u>2,025,342</u>	<u>47,794</u>	<u>9,860,872</u>
<b>Total liabilities</b>					
	<u>6,365,697</u>	<u>1,422,039</u>	<u>2,025,342</u>	<u>47,794</u>	<u>9,860,872</u>
Fund balances:					
Reserved for:					
Encumbrances	277,896	-	-	-	277,896
Inventories	60,377	-	-	-	60,377
Debt service	-	-	-	206,085	206,085
Media materials	430,352	-	-	-	430,352
Professional leave	194,624	-	-	-	194,624
Unreserved:					
Designated for subsequent year's expenditures	610,887	-	-	-	610,887
Designated for equipment replacement	657,000	-	-	-	657,000
Undesignated, reported in:					
General fund	6,389,172	-	-	-	6,389,172
Special revenue funds	-	287,923	-	129,365	417,288
Debt service fund	-	-	-	278,848	278,848
	<u>8,620,308</u>	<u>287,923</u>	<u>-</u>	<u>614,298</u>	<u>9,522,529</u>
<b>Total fund balances</b>					
	<u>8,620,308</u>	<u>287,923</u>	<u>-</u>	<u>614,298</u>	<u>9,522,529</u>
<b>Total liabilities and fund balances</b>					
	<u>\$ 14,986,005</u>	<u>\$ 1,709,962</u>	<u>\$ 2,025,342</u>	<u>\$ 662,092</u>	<u>\$ 19,383,401</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, 2010

Exhibit D

<b>Total fund balances of governmental funds (page 14)</b>	\$ 9,522,529
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	5,944,237
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	<u>(1,593,911)</u>
 <b>Net assets of governmental activities (page 13)</b>	 <u><u>\$13,872,855</u></u>

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, 2010**

Exhibit E

	Special Revenue				<u>Total</u>
	<u>General</u>	<u>Off-Site Programs</u>	<u>Disaster Recovery</u>	<u>Nonmajor</u>	
<b>REVENUES</b>					
Local sources	\$ 15,517,614	\$ 1,688,099	\$ 400	\$ 26	\$ 17,206,139
State sources	14,438,920	52,262	-	785,910	15,277,092
Federal sources	28,266,700	-	331,501	-	28,598,201
	<u>58,223,234</u>	<u>1,740,361</u>	<u>331,901</u>	<u>785,936</u>	<u>61,081,432</u>
<b>EXPENDITURES</b>					
Instruction	1,025,442	1,662,089	-	722,554	3,410,085
Student support services	29,295,483	86,095	-	-	29,381,578
Instructional staff support services	13,828,831	-	-	-	13,828,831
General administration	2,097,285	-	-	-	2,097,285
Building administration	2,232,946	34,864	-	63,356	2,331,166
Business & central administration	3,178,880	-	-	-	3,178,880
Purchasing, distributing, printing, publishing, duplicating	897,708	-	-	-	897,708
Plant operations and maintenance	742,443	3,900	369,582	-	1,115,925
Central and other support services	4,735	4,295	-	-	9,030
Non instructional programs	909,035	-	-	-	909,035
Facilities acquisition and construction	-	-	164,998	-	164,998
Debt service	-	-	-	206,065	206,065
	<u>54,212,788</u>	<u>1,791,243</u>	<u>534,580</u>	<u>991,975</u>	<u>57,530,586</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,010,446</u>	<u>(50,882)</u>	<u>(202,679)</u>	<u>(206,039)</u>	<u>3,550,846</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	202,679	231,470	434,149
Transfers out	(434,149)	-	-	-	(434,149)
	<u>(434,149)</u>	<u>-</u>	<u>202,679</u>	<u>231,470</u>	<u>-</u>
Excess of revenues and other financing sources (uses) over (under) expenditures	<u>3,576,297</u>	<u>(50,882)</u>	<u>-</u>	<u>25,431</u>	<u>3,550,846</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>5,044,011</u>	<u>338,805</u>	<u>-</u>	<u>588,867</u>	<u>5,971,683</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 8,620,308</u>	<u>\$ 287,923</u>	<u>\$ -</u>	<u>\$ 614,298</u>	<u>\$ 9,522,529</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, 2010**

Exhibit F

**Net change in fund balances - Total governmental funds (page 16) \$ 3,550,846**

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

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

Capital outlays	\$ 1,606,227	
Depreciation expense	<u>(1,004,518)</u>	601,709

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	150,000
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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	<u>15,593</u>
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**Change in net assets of governmental activities (page 13) \$ 4,318,148**

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, 2010

Exhibit G

**ASSETS**

Accounts receivable	\$ 167,150
Due from other governments	23,143
General fund receivable	<u>617,448</u>

**Total assets** \$ 807,741

**LIABILITIES**

Accounts payable	\$ 183,860
Salaries payable	10,208
Accrued other	10,778
Deposits held in custody of others	<u>602,895</u>

**Total liabilities** \$ 807,741

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

**GRANT WOOD AREA EDUCATION AGENCY 10**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**(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.

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, 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 the following categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation/amortization 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, 2010**

(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 Special Revenue - 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 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 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, 2010**

**(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 and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Agency's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

**GRANT WOOD AREA EDUCATION AGENCY 10**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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.

E. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents - 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, equipment and intangibles, 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
Intangibles	200,000

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

**GRANT WOOD AREA EDUCATION AGENCY 10**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

E. Assets, Liabilities and Fund Equity (continued)

<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
Intangibles	15

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, 2010. 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.

Budgets and Budgetary Accounting - The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

**GRANT WOOD AREA EDUCATION AGENCY 10**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

E. Change in Accounting Principles

Effective July 1, 2009, the Agency adopted the Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets (GASB51)*. This statement establishes uniform accounting and financial reporting standards for state and local governmental entities related to intangible assets.

(2) **Cash and Cash Equivalents**

The Agency's deposits in banks at June 30, 2010 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.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2010 is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated/ amortized:				
Land	\$ 260,155	\$ -	\$ -	\$ 260,155
Capital assets being depreciated:				
Buildings	5,944,794	-	-	5,944,794
Leasehold improvements	611,686	-	-	611,686
Furniture and equipment	4,554,465	604,304	67,216	5,091,553
Library books and film	3,680,004	324,029	245,648	3,758,385
Intangible assets	-	677,894	-	677,894
Total assets being depreciated	<u>14,790,949</u>	<u>1,606,227</u>	<u>312,864</u>	<u>16,084,312</u>

**GRANT WOOD AREA EDUCATION AGENCY 10**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Less accumulated depreciation/ amortization for:				
Buildings	2,956,448	118,896	-	3,075,344
Leasehold improvements	202,186	30,584	-	232,770
Furniture and equipment	3,340,679	479,200	67,216	3,752,663
Library books and film	3,209,263	375,838	245,648	3,339,453
Intangible assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>9,708,576</u>	<u>1,004,518</u>	<u>312,864</u>	<u>10,400,230</u>
Total capital assets being depreciated, net	<u>5,082,373</u>	<u>601,709</u>	<u>-</u>	<u>5,684,082</u>
Governmental activities capital assets, net	<u>\$5,342,528</u>	<u>\$ 601,709</u>	<u>\$ -</u>	<u>\$5,944,237</u>

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

Governmental activities:	
Instruction	\$ 628
Student support services	11,656
Instructional staff support services	480,626
General administration	215,701
Business administration	40,949
Purchasing, distributing, printing, publishing, duplicating	21,073
Plant operations and maintenance	30,999
Central and other support services	41,613
Facilities acquisition and construction	1,727
Unallocated	<u>159,546</u>
Total governmental activities depreciation expense	<u>\$1,004,518</u>

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

A summary of the changes in short-term liabilities for the year ended June 30, 2010 is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>
Anticipatory warrants	<u>\$ -</u>	<u>\$1,500,000</u>	<u>\$1,500,000</u>	<u>\$ -</u>

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

**GRANT WOOD AREA EDUCATION AGENCY 10**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

A summary of changes in long-term liabilities for the year ended June 30, 2010 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	\$ 324,300	\$ -	\$ 83,800	\$ 240,500	\$ 78,865
Compensated absences	75,154	125,413	75,154	125,413	125,413
Certificates of participation	1,245,000	-	150,000	1,095,000	230,000
Net OPEB liability	<u>115,050</u>	<u>96,813</u>	<u>-</u>	<u>211,863</u>	<u>-</u>
<b>Total</b>	<b><u>\$1,759,504</u></b>	<b><u>\$ 222,226</u></b>	<b><u>\$ 308,954</u></b>	<b><u>\$1,672,776</u></b>	<b><u>\$ 434,278</u></b>

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>
2011	\$ 78,865
2012	63,022
2013	46,515
2014	29,971
2015	13,904
2016-2018	<u>8,223</u>
<b>Total</b>	<b><u>\$ 240,500</u></b>

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, 2010**

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 230,000	\$ 49,990	\$ 279,990
2012	235,000	40,652	275,652
2013	60,000	31,032	91,032
2014	60,000	28,303	88,303
2015	65,000	25,483	90,483
2016-2021	<u>445,000</u>	<u>82,398</u>	<u>527,398</u>
<b>Total</b>	<u>\$ 1,095,000</u>	<u>\$ 257,858</u>	<u>\$ 1,352,858</u>

Payments for the certificates of participation for the year ended June 30, 2010, including interest, totaled \$206,065.

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 \$370,000 as of June 30, 2010.

(6) **Operating Leases**

The Agency has leased office equipment and various facilities within the area to house the different programs 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 2010 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, 2010**

**(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, 2010:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2011	\$ 230,600
2012	220,445
2013	<u>3,642</u>
<b>Total</b>	<b><u>\$ 454,687</u></b>

The total rental expenditures for the year ended June 30, 2010 for all operating leases, except those with terms of a month or less that were not renewed, was \$240,083.

**(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 4.30% of their annual covered salary and the Agency is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$1,906,023, \$1,753,848, and \$1,573,362, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

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 6<sup>th</sup> Street SW, Cedar Rapids, IA 52404.

**GRANT WOOD AREA EDUCATION AGENCY 10**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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, 2010, 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	2,876
Adjustment to annual required contribution	<u>(13,273)</u>
Annual OPEB cost	236,339
Contributions made	<u>139,526</u>
Increase in net OPEB obligation	96,813
Net OPEB obligation, beginning of year	<u>115,050</u>
 Net OPEB obligation, end of year	 <u>\$ 211,863</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, 2010.

For the year ended June 30, 2010, the Agency contributed \$139,526 to the medical plan. Plan members eligible for benefits contributed \$247,366, or 64% of the premium costs.

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, 2010 are summarized as follows:

<b>Year Ended</b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Percentage of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
June 30, 2010	\$ <u>236,339</u>	59%	\$ <u>211,863</u>

**GRANT WOOD AREA EDUCATION AGENCY 10**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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 \$28,024,023, and the ratio of the UAAL to covered payroll was 7.6%. As of June 30, 2010, 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, 2010**

**(9) Interfund Transfers, Receivables, and Payables**

Interfund transfers for the year ended June 30, 2010, consisted of the following:

Transfer to debt service fund from general fund for debt service payments	\$ 151,470
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	202,679
Transfer to pool transportation fund from general fund, included as due from/to other funds on the governmental funds balance sheet	80,000
Total transfers	\$ 434,149

**(10) Risk Management**

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

**(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 Transition Separation Plan for its employees effective July 1, 2009. 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. In order to participate in the plan, employees must submit a request for separation and must be approved by the Board within the first five years in which they become eligible. The plan shall no longer be available after the 5-year eligibility period. The retirement benefit based on the number of years eligible to elect early separation, is calculated using rates ranging between 20% and 30% 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 fourteen participants during the year ended June 30, 2010 totaled \$113,624.

**GRANT WOOD AREA EDUCATION AGENCY 10**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**(11) Commitments and Contingencies (continued)**

For employees who elected to separate prior to July 1, 2009, 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. As of June 30, 2010, fifty participants will receive benefits through August 2018. The Agency recorded a liability and expense at the government-wide level upon election by the employees and approval by the board of directors to participate in the plan. The government-wide liability at June 30, 2010, after applying a discount rate of 5.15%, totaled \$240,500. See Note 5 for changes in the long-term liability. For the general fund, a liability and expense for the amounts due within one year are recorded. The general fund liability at June 30, 2010 totaled \$78,865 and expense for the year ended June 30, 2010 totaled \$160,056.

Contractual commitments - Contractual commitments for projects entered into after June 30, 2010 consisted of the following:

<u>Description</u>	<u>Amount</u>
Flood mitigation project	\$ 562,020
Backup solutions system	<u>145,398</u>
<b>Total</b>	<b><u>\$ 707,418</u></b>

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

As of June 30, 2010, 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. 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.

**GRANT WOOD AREA EDUCATION AGENCY 10**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, issued December 2009, will be effective for the Agency beginning with its year ending June 30, 2012. This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible.

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, 2010

	<u>Actual</u>	<u>Budget</u>		<u>Final to Actual Variance - Favorable (Unfavorable)</u>
		<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>				
Local sources	\$ 17,206,139	\$ 16,460,284	\$ 16,839,679	\$ 366,460
State sources	15,277,092	16,783,677	15,376,310	(99,218)
Federal sources	28,598,201	14,800,000	27,925,438	672,763
	<u>61,081,432</u>	<u>48,043,961</u>	<u>60,141,427</u>	<u>940,005</u>
<b>EXPENDITURES</b>				
Instruction	3,410,085	3,363,952	4,466,789	1,056,704
Student support services	29,381,578	19,901,000	28,823,239	(558,339)
Instructional staff support services	13,828,831	13,675,000	14,791,641	962,810
General administration	2,097,285	2,275,000	2,055,093	(42,192)
Building administration	2,331,166	2,272,919	2,345,884	14,718
Business & central administration	3,178,880	3,225,000	3,583,426	404,546
Purchasing, distributing, printing publishing, duplicating	897,708	905,000	911,607	13,899
Plant operations and maintenance	1,115,925	978,650	1,227,020	111,095
Central and other support services	9,030	14,500	6,600	(2,430)
Non instructional programs	909,035	1,350,000	1,051,875	142,840
Facilities acquisition and construction	164,998	125,000	205,000	40,002
Debt service	206,065	231,065	206,065	-
	<u>57,530,586</u>	<u>48,317,086</u>	<u>59,674,239</u>	<u>2,143,653</u>
Excess (deficiency) of revenues over (under) expenditures	3,550,846	(273,125)	467,188	3,083,658
<b>OTHER FINANCING SOURCES, NET</b>	<u>-</u>	<u>11,065</u>	<u>(2,500)</u>	<u>2,500</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	<u>3,550,846</u>	<u>(262,060)</u>	<u>464,688</u>	<u>3,086,158</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>5,971,683</u>	<u>3,932,765</u>	<u>5,971,677</u>	<u>6</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 9,522,529</u>	<u>\$ 3,670,705</u>	<u>\$ 6,436,365</u>	<u>\$ 3,086,164</u>

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

**GRANT WOOD AREA EDUCATION AGENCY 10**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY REPORTING**  
**June 30, 2010**

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 expenditures/expenses 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, 2010, two budget amendments increased budgeted revenues by \$12,907,466 and expenditures by \$11,357,153. The budget amendments are reflected in the final budgeted amounts.

For the year ended June 30, 2010, the Agency's expenditures did not exceed the approved budget.

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

**Required Supplementary Information**

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2009	July 1, 2008	\$ -	\$ 2,139	\$ 2,139	0.0%	\$ 26,737	8.0%
2010	July 1, 2008	-	2,139	2,139	0.0%	28,024	7.6%

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, 2010**

	<u>Special Revenue</u>			
	<u>Pool Transportation</u>	<u>Juvenile Home</u>	<u>Debt Service</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 129,365	\$ 19,400	\$ 484,933	\$ 633,698
Receivables:				
Accounts	<u>-</u>	<u>28,394</u>	<u>-</u>	<u>28,394</u>
Total assets	<u>\$ 129,365</u>	<u>\$ 47,794</u>	<u>\$ 484,933</u>	<u>\$ 662,092</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 261	\$ -	\$ 261
Salaries and benefits payable	<u>-</u>	<u>47,533</u>	<u>-</u>	<u>47,533</u>
Total liabilities	<u>-</u>	<u>47,794</u>	<u>-</u>	<u>47,794</u>
Fund Balances				
Reserved:				
Debt service	-	-	206,085	206,085
Unreserved, undesignated	<u>129,365</u>	<u>-</u>	<u>278,848</u>	<u>408,213</u>
Total fund balances	<u>129,365</u>	<u>-</u>	<u>484,933</u>	<u>614,298</u>
Total liabilities and fund balances	<u>\$ 129,365</u>	<u>\$ 47,794</u>	<u>\$ 484,933</u>	<u>\$ 662,092</u>

**GRANT WOOD AREA EDUCATION AGENCY 10**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2010**

	<u>Special Revenue</u>			
	<u>Pool</u>	<u>Juvenile</u>	<u>Debt</u>	
	<u>Transportation</u>	<u>Home</u>	<u>Service</u>	<u>Total</u>
<b>REVENUES</b>				
Local sources	\$ -	\$ -	\$ 26	\$ 26
State sources	-	785,910	-	785,910
	<u>-</u>	<u>785,910</u>	<u>-</u>	<u>785,910</u>
Total revenues	<u>-</u>	<u>785,910</u>	<u>26</u>	<u>785,936</u>
<b>EXPENDITURES</b>				
Instruction	-	722,554	-	722,554
Building administration	-	63,356	-	63,356
Debt service	-	-	206,065	206,065
	<u>-</u>	<u>785,910</u>	<u>206,065</u>	<u>991,975</u>
Total expenditures	<u>-</u>	<u>785,910</u>	<u>206,065</u>	<u>991,975</u>
Deficiency of revenues over expenditures	-	-	(206,039)	(206,039)
<b>OTHER FINANCING SOURCE</b>				
Transfers in	80,000	-	151,470	231,470
	<u>80,000</u>	<u>-</u>	<u>151,470</u>	<u>231,470</u>
Excess (deficiency) of revenues and other financing source over (under) expenditures	80,000	-	(54,569)	25,431
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>49,365</u>	<u>-</u>	<u>539,502</u>	<u>588,867</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 129,365</u>	<u>\$ -</u>	<u>\$ 484,933</u>	<u>\$ 614,298</u>

**GRANT WOOD AREA EDUCATION AGENCY 10**  
**SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**June 30, 2010**

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>ASSETS</b>				
Accounts receivable	\$ 83,142	\$ 1,116,042	\$ 1,032,034	\$ 167,150
Due from other governments	25,511	-	2,368	23,143
General fund receivable	<u>478,043</u>	<u>1,034,402</u>	<u>894,997</u>	<u>617,448</u>
Total assets	<u>\$ 586,696</u>	<u>\$ 2,150,444</u>	<u>\$ 1,929,399</u>	<u>\$ 807,741</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 41,969	\$ 641,708	\$ 499,817	\$ 183,860
Salaries payable	6,049	352,659	348,500	10,208
Accrued other	-	56,498	45,720	10,778
Deposits held in custody of others	<u>538,678</u>	<u>64,217</u>	<u>-</u>	<u>602,895</u>
Total liabilities	<u>\$ 586,696</u>	<u>\$ 1,115,082</u>	<u>\$ 894,037</u>	<u>\$ 807,741</u>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007 *</u>
<b>REVENUES</b>				
Local sources	\$ 17,206,139	\$ 17,030,516	\$ 16,038,177	\$ 15,041,418
State sources	15,277,092	16,486,116	14,749,636	12,264,922
Federal sources	<u>28,598,201</u>	<u>19,520,136</u>	<u>15,202,341</u>	<u>14,987,496</u>
 Total revenues	 <u>\$ 61,081,432</u>	 <u>\$ 53,036,768</u>	 <u>\$ 45,990,154</u>	 <u>\$ 42,293,836</u>
 <b>EXPENDITURES</b>				
Instruction	\$ 3,410,085	\$ 4,478,567	\$ 3,431,606	\$ 3,218,572
Student support services	29,381,578	22,105,572	19,216,300	17,612,480
Instructional staff support services	13,828,831	12,258,544	12,361,673	11,276,485
General administration	2,097,285	1,987,993	1,444,593	1,781,740
Building administration	2,331,166	2,288,356	1,990,916	1,937,768
Business & central administration	3,178,880	3,152,350	4,402,141	3,887,997
Purchasing, distributing, printing publishing, duplicating	897,708	900,666	-	-
Plant operations and maintenance	1,115,925	1,426,833	1,712,287	757,681
Central and other support services	9,030	7,279	9,432	10,979
Non instructional programs	909,035	1,041,533	1,412,006	1,151,924
Facilities acquisition and construction	164,998	1,633,129	-	-
Debt service	206,065	258,865	271,023	279,755
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures	 <u>\$ 57,530,586</u>	 <u>\$ 51,539,687</u>	 <u>\$ 46,251,977</u>	 <u>\$ 41,915,381</u>

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

<u>2006 *</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 13,983,285	\$ 13,132,227	\$ 13,037,224	\$ 12,209,133	\$ 11,696,661	\$ 12,103,600
11,178,373	10,603,900	10,300,970	11,591,250	12,315,824	11,676,799
<u>15,511,872</u>	<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>\$ 40,673,530</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>
\$ 2,861,860	\$ 2,895,016	\$ 2,935,981	\$ 2,552,239	\$ 2,118,616	\$ 2,092,620
16,334,283	21,842,877	20,282,887	19,352,674	17,854,011	16,197,220
12,251,021	5,320,170	4,792,394	4,671,453	4,964,877	4,776,570
1,282,735	1,330,034	1,052,261	1,169,882	1,339,004	1,465,115
1,612,866	1,400,136	1,413,081	1,262,465	1,261,330	1,370,224
3,866,531	1,176,309	1,006,928	1,131,737	1,058,055	1,013,489
-	-	-	-	-	-
661,940	894,915	891,464	1,022,349	844,929	665,166
190,256	2,898,370	3,377,635	2,806,745	3,534,387	2,714,479
1,065,020	59,409	678	31,145	32,558	238
-	-	-	-	-	-
290,239	1,464,930	287,408	288,311	415,756	393,507
-	-	51,996	95,641	1,383,963	322,156
<u>\$ 40,416,751</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>

See independent auditor's report.

**GRANT WOOD AREA EDUCATION AGENCY 10  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010**

<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		\$ 10,239,600
Information Management Systems		383,460
Parent Educator Connection		136,852
Instructional Decision Making		4,097
IDEA - Flowthrough to LEA		<u>3,574,145</u>
		<u>14,338,154</u>
Special Education - Preschool Grants	84.173*	
Section 619		<u>316,014</u>
Special Education - Grants for		
Infants and Families with Disabilities:	84.181	
Part C - Infant & Toddler		<u>347,844</u>
Perkins Vocational Education	84.048A	<u>256,940</u>
Education Technology State Grants	84.318	<u>252,833</u>
Special Education - State Professional		
Development Grants		
IGISST - Science Grant	84.323	<u>94,344</u>
Reading First State Grants	84.357	<u>3,215</u>
English Language Acquisition - Title III	84.365	<u>96,214</u>
Mathematics and Science Partnerships	84.366	<u>130,522</u>
American Recovery and Reinvestment Act		
Education Technology State Grants,		
Recovery Act	34.386	<u>6,751</u>
Special Education - Grants to States,		
Recovery Act	84.391*	
Part B Section 611		3,987,568
Flowthrough to LEA		<u>7,818,402</u>
		<u>11,805,970</u>

(continued)

**GRANT WOOD AREA EDUCATION AGENCY 10  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010**

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Indirect (continued):		
U.S. Department of Education (continued):		
Iowa Department of Education (continued):		
American Recovery and Reinvestment Act (continued):		
Special Education - Preschool Grants, Recovery Act - Section 619	84.392*	<u>289,826</u>
Special Education - Grants for Infants and Families, Recovery Act - Part C	84.393	<u>161,132</u>
Total Iowa Department of Education		28,099,759
Iowa Department of Corrections:		
Special Education - Grants to States Inmate Screening	84.027*	<u>105,532</u>
Total U.S. Department of Education		28,205,291
Corporation for National Community Service		
Iowa Department of Education		
Learn and Serve America-School and Community Based Programs	94.004	6,433
Department of Homeland Security		
Iowa Homeland Security and Emergency Management Division		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>331,499</u>
<b>Total</b>		<b><u>\$28,543,223</u></b>

**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 \$14,443,686 and was tested as a major program along with CFDA Number 84.173, CFDA Number 84.391 and CFDA Number 84.392. Special education cluster expenditures totaled \$26,855,496.

See 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**

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, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated January 11, 2011. 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2010 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, and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Henderson LLP*

Cedar Rapids, Iowa  
January 11, 2011

**Independent Auditor's Report on Compliance with Requirements that  
Could Have a Direct and Material Effect on 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 could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item III-A-10.

## 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance, is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item III-A-10. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's response and, accordingly, we express no opinion on it.

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  
January 11, 2011

**GRANT WOOD AREA EDUCATION AGENCY 10  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**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?   X   Yes \_\_\_\_\_ 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?   X   Yes \_\_\_\_\_ No

Identification of major programs:

CFDA Number(s)

84.027  
84.173  
84.391  
  
84.392

Name of Federal Program or Cluster

Special Education Cluster:  
Special Education - Grant to States  
Special Education - Preschool Grants  
Special Education Grants to States, Recovery Act  
Special Education - Preschool Grants, Recovery Act

Dollar threshold used to distinguish between type A and type B programs: \$ 856,297

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, 2010**

**Section II: Findings Related to the Financial Statements:**

No matters were reported.

**Section III: Findings and Questioned Costs for Federal Awards:**

**III-A-10 CASH MANAGEMENT COMPLIANCE**

**CFDA Number 84.391: Special Education Grants to States, Recovery Act  
Federal Award Year 2010  
U.S. Department of Education  
Passed through the Iowa Department of Education**

**CFDA Number 84.392: Special Education - Preschool Grants, Recovery Act  
Federal Award Year 2010  
U.S. Department of Education  
Passed through the Iowa Department of Education**

*Criteria:* The Agency is required to establish internal controls over cash management compliance procedures to ensure that interest earned on federal funds advanced in excess of \$100 per year is remitted, at least quarterly, to the appropriate Federal agency.

*Condition:* Interest earned on federal funds was not remitted in a timely manner to the appropriate Federal agency.

*Questioned Costs:* None.

*Context:* Earnings on federal funds advanced through December 2009 totaling \$12,714.21 were remitted to the appropriate Federal agency in September 2010. Earnings from January 2010 through June 2010 totaling \$12,042.27 has not been remitted.

*Effect:* The Agency was not in compliance with cash management compliance requirements.

*Cause:* Original guidance from the State of Iowa indicated remittance should be done annually. Uncertainty about the calculation method also caused delays and therefore the remittance was not performed timely.

*Recommendation:* The Agency should develop a procedure to ensure interest earned on federal funds advanced is remitted to the appropriate Federal agency on a quarterly basis.

*Management Response:* Interest earned is calculated by the Business office and this amount will be remitted quarterly starting in December 2010.

*Conclusion:* Response accepted.

**GRANT WOOD AREA EDUCATION AGENCY 10  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**Section IV - Other Findings Related to Required Statutory Reporting:**

- IV-A-10 Certified Budget - Expenditures during the year ended June 30, 2010 did not exceed the amount budgeted.
- IV-B-10 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-10 Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- IV-D-10 Business Transactions - No business transactions between the Agency and Agency officials and/or employees were noted.
- IV-E-10 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-10 Board Minutes - No transactions requiring Board approval were noted which had not been approved.
- IV-G-10 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-10 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.
- IV-I-10 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.

GRANT WOOD AREA EDUCATION AGENCY 10  
CORRECTIVE ACTION PLAN  
Year Ended June 30, 2010

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Plan</u>	<u>Contact Person, Title Phone Number</u>	<u>Anticipated Date of Completion</u>
III-A-10	Cash Management Compliance	Develop procedure to remit interest earned on federal funds advanced on a quarterly basis.	Barb Harms, Business Manager (319)399-6700	12/31/2010

GRANT WOOD AREA EDUCATION AGENCY 10  
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS  
Year Ended June 30, 2010

<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.