

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**Bettendorf, Iowa**

**FINANCIAL STATEMENTS**  
**June 30, 2011**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>OFFICIALS</b> .....	1
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	2
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	4
<b>BASIC FINANCIAL STATEMENTS</b> .....	12

**Exhibit**

Government-wide Financial Statements:	
Statement of Net Assets.....	A ..... 13
Statement of Activities .....	B ..... 14
Governmental Fund Financial Statements:	
Balance Sheet .....	C ..... 15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets.....	D ..... 16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	E ..... 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities ..	F ..... 18
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets .....	G ..... 19
Notes to Financial Statements.....	20
<b>REQUIRED SUPPLEMENTAL INFORMATION</b> .....	34

Statement of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds .....	35
Note to Required Supplemental Information - Budgetary Reporting .....	36
Schedule of Funding Progress for the Retiree Health Plan.....	37

<b>OTHER SUPPLEMENTAL INFORMATION</b> .....	38
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**Schedule**

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund .....	1..... 39
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types .....	2..... 40
Schedule of Expenditures of Federal Awards .....	3..... 41

**TABLE OF CONTENTS**

(Continued)

	<b>PAGE</b>
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....</b>	<b>42</b>
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....</b>	<b>44</b>
Schedule of Findings and Questioned Costs .....	46
Summary Schedule of Prior Federal Audit Findings.....	50
Corrective Action Plan for Federal Audit Findings .....	51

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
OFFICIALS**

**Board of Directors**

After October, 2010 Election

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
Robin Krueger	President	2013
Richard Kissack	Vice-President	2011
Jody Hawley	Member	2011
William Koellner	Member	2011
Rex Masterson	Member	2011
Scott Saveraid	Member	2011
Dick Wold	Member	2011
Jeanita Harris	Member	2013
David Swim	Member	2013

Before October, 2010 Election

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
David Swim	President	2013
Richard Kissack	Vice-President	2013
Jody Hawley	Member	2011
William Koellner	Member	2011
Robin Krueger	Member	2011
Rex Masterson	Member	2011
Scott Saveraid	Member	2011
Dick Wold	Member	2011
Jeanita Harris	Member	2013

**Agency**

Glenn Pelecky	Administrator	Indefinite
Cheryl Oake	Board Secretary	Indefinite
Tom Wirtz	Treasurer and Director of Central Administration	Indefinite

## Independent Auditor's Report

To the Board of Directors of  
Mississippi Bend Area Education Agency 9  
Bettendorf, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mississippi Bend Area Education Agency 9 as of and for the year ended June 30, 2011, 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 Mississippi Bend Area Education Agency 9, as of June 30, 2011, 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 November 25, 2011, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 11 and 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mississippi Bend Area Education Agency 9's financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2010 and 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the five years ended June 30, 2008, presented in Schedule 2 on page 40 of this report, were audited by other auditors whose reports expressed unqualified opinions on those financial statements. The schedule of changes in fiduciary assets and liabilities and schedule of revenues by source and expenditures by function are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of changes in fiduciary assets and liabilities and schedule of revenues by source and expenditures by function and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Went, John & Foster, CAA PC*

Clinton, Iowa  
November 25, 2011

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

Mississippi Bend Area Education Agency 9 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, 2011. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

**2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$41,151,572 in fiscal year 2010 (FY10) to \$36,002,419 in fiscal year 2011 (FY11), while General Fund expenditures decreased from \$38,821,718 in FY10 to \$33,740,665 in FY11. This resulted in an increase of the Agency's General Fund balance from \$7,557,624 in FY10 to \$9,501,014 in FY11, a 25.7 percent increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in Federal ARRA funds received in FY11. In FY 11, AEA 9 received its final Federal ARRA fund payment. The decrease in expenditures was also due primarily to the decrease in Federal ARRA funds received.
- Senate File 453 was enacted in the Spring of 2003, which temporarily reduced controlled funding for AEA's by 10 million dollars. AEA 9's portion of this was \$1,009,065. This reduction was reduced to \$253,937 in FY10 and continued in FY 11.
- The Agency's self-insured medical insurance program continued to experience favorable claim costs. The Agency was able to maintain a minimum balance at \$1,500,000. The claims reserve balance at June 30, 2011 was \$1,432,036.
- The State of Iowa combined its Teacher Quality funding and Phase II Funding into Teacher Salary Supplement funding in FY10. AEA 9's portion amounted to \$1,253,617. The State of Iowa also provided \$103,431 for professional development in FY11.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**USING THIS ANNUAL REPORT**

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Mississippi Bend Area Education Agency 9 as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplemental Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplemental Information provides detailed information about the agency fund as well as revenues by source and expenditures by function. In addition, the Schedule of Expenditures of Federal Awards provides detail of various federal programs benefiting the Agency.

**Reporting the Agency as a Whole**

*The Statement of Net Assets and the Statement of Activities*

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

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

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

In the government-wide financial statements, the Agency's activities are made up of governmental activities:

- *Governmental activities:* Most of the Agency's basic services are included here, such as regular and special education instruction, student and instructional staff support services, and administration. Local school districts, federal, and state aid financed most of these activities.

*Fund Financial Statements*

The fund financial statements provide detailed information about the Agency's funds, focusing on its most significant or "major" funds - not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for major construction projects or to show that it is properly using certain revenues, such as federal grants.

The Agency 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. The Agency's governmental funds include: 1) the General Fund, 2) the Special Revenue Fund, 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.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

2) The Agency is the trustee, or fiduciary, for assets that belong to others. These funds are referred to as Agency Funds. These are funds through which the Agency administers and accounts for revenues and expenditures on behalf of others.

The Agency is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The Agency excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Assets and a Schedule of Changes in Fiduciary Assets and Liabilities.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Mississippi Bend Area Education Agency 9's net assets at the end of fiscal year 2011 totaled approximately \$9.43 million. This compared to approximately \$7.65 million at the end of fiscal year 2010. The analysis that follows provides a summary of the Agency's net assets at June 30, 2011 for the governmental activities.

	<b>Condensed Statement of Net Assets Governmental Activities</b>	
	<b>June 30, 2011</b>	<b>June 30, 2010</b>
Current and other assets	\$ 13,434,412	\$ 11,767,711
Capital assets	<u>6,383,516</u>	<u>6,498,802</u>
Total assets	<u>19,817,928</u>	<u>18,266,513</u>
Long-term obligations	6,817,482	6,939,662
Other liabilities	<u>3,572,657</u>	<u>3,678,591</u>
Total liabilities	<u>10,390,139</u>	<u>10,618,253</u>
Net assets:		
Invested in capital assets, net of related debt	2,535,769	2,417,068
Restricted	6,582,437	434,027
Unrestricted	<u>309,583</u>	<u>4,797,165</u>
<b>Total net assets</b>	<b><u>\$ 9,427,789</u></b>	<b><u>\$ 7,648,260</u></b>

The Agency's combined net assets increased by 26.0%, or approximately \$1.94 million from FY10.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

The following analysis shows the changes in net assets for the year ended June 30, 2011.

	<b>Changes in Net Assets Governmental Activities</b>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Revenues:		
Program revenues:		
Charges for service	\$ 1,676,565	\$ 1,775,748
Operating grants and contributions	<u>16,039,606</u>	<u>22,325,069</u>
Total program revenues	<u>17,716,171</u>	<u>24,100,817</u>
General revenues:		
Property taxes	10,063,886	7,603,995
State Foundation Aid	8,135,753	9,349,507
Juvenile Home	478,804	491,406
Local donations	64,689	99,186
Unrestricted investment earnings	<u>23,364</u>	<u>16,834</u>
Total general revenues	<u>18,766,496</u>	<u>17,560,928</u>
Total revenues	<u>36,482,667</u>	<u>41,661,745</u>
Program expenses:		
Instruction	1,329,172	1,410,438
Student support services	19,072,329	23,348,604
Instructional staff support services	8,317,743	8,994,645
General administration	1,920,664	1,820,164
Business administration	1,287,081	1,313,781
Plant operations and maintenance	850,486	817,130
Central and other support services	1,592,316	1,854,417
Debt service	<u>169,111</u>	<u>169,722</u>
Total program expenses	<u>34,538,902</u>	<u>39,728,901</u>
Increase in net assets	1,943,765	1,932,844
Net assets, beginning of year, as restated	<u>7,484,024</u>	<u>5,715,416</u>
<b>Net assets, end of year</b>	<u>\$ 9,427,789</u>	<u>\$ 7,648,260</u>

Operating grants and contributions from local, state and federal sources account for 44.0% of the total revenue. The Agency's expenses primarily relate to instruction and support services, which account for 83.2% of the total expenses.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**GOVERNMENTAL ACTIVITIES**

Revenues for governmental activities were \$36,482,667 and expenses were \$34,538,902.

**FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS**

As previously noted, Mississippi Bend Area Education Agency 9 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's governmental funds reported combined fund balances of \$9,888,847 above last year's ending fund balances of \$7,952,945. The major reason for the increase is due to contributions from local, state and federal sources, and a reallocation of Special Education expenditures to Federal Stimulus funds.

**Governmental Fund Highlights**

- The General Fund balance increased from \$7,557,624 to \$9,501,014. Encumbrance reserves decreased \$68,891, inventory and prepaid expenses reserve decreased \$2,539, insurance claims reserve decreased \$101,714, and unassigned fund balances increased \$2,759,290.
- The Debt Service Fund balance remained relatively constant in FY11. The fund ended FY11 with a balance of \$462,127.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the Agency amended its annual operating budget one time to reflect additional revenue and expenditures associated with the additional federal grants received. A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the required supplemental information section of this report.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2011, the Agency had invested \$6,383,516 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers and audio-visual equipment. This is a net decrease of approximately \$115,000 from last year. This decrease was primarily due to current year depreciation expense and deletions exceeding current year additions.

Mississippi Bend Area Education Agency 9 had depreciation expense of \$481,621 in FY11 and total accumulated depreciation of \$5,393,446 at June 30, 2011. More detailed information about capital assets is available in Note 3 to the financial statements.

**Debt**

At June 30, 2011, the Agency had \$6,817,482 in long-term debt outstanding compared to \$6,939,662 at June 30, 2010. More detailed information about the Agency's long-term liabilities is available in Note 6 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

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

- The Agency has experienced a decrease in the number of students being served by its programs for many years. A slight decrease in enrollment is expected to continue in the foreseeable future. Enrollment history and projections are as follows:

<u>Year</u>	<u>Number</u>	<u>Difference</u>
2000	54,311	-1,029
2001	53,577	-734
2002	53,247	-330
2003	52,866	-381
2004	52,353	-513
2005	52,152	-201
2006	51,861	-291
2007	51,324	-537
2008	50,968	-356
2009	50,584	-384
2010	50,456	-128

- The State of Iowa made permanent the 7.5% reduction in AEA controlled funding that was imposed in the year ended 6/30/02. This is a permanent reduction of \$767,782 from the funds generated by the controlled funding formula.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

- Another provision of Senate File 453 enacted in the Spring of 2003 temporarily reduced controlled funding for AEAs by 10 million dollars. AEA 9's portion of this is \$1,009,065. This reduction was offset by an increase in federal IDEA funds, cost containment of non-personnel expenditures, and unreserved fund balances. This cut was reduced to \$253,937 in FY10 and continued in FY 11.
- In the spring of 2008 the State of Iowa passed Senate File 277 which enhanced the Teacher Quality Program. The State of Iowa combined its Teacher Quality Program funding and Phase II Program funding into Teacher Salary Supplement funding in FY10. AEA 9 received \$1,253,617 additional teacher compensation and \$103,431 for additional staff development in FY11.
- Due to the favorable balance in the self-funded insurance claims fund, no increase in health and dental premiums will be made for FY12.
- AEA 9 was awarded \$5,696,785 in Federal American Recovery and Reinvestment Act (ARRA) funds in FY09. The funds are to be spent during the period of February 17, 2009 through September 30, 2011. The funds will be used to retain staff and offer additional programs. AEA 9 has spent all but \$163,200 of these funds.

**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 Edward Gronlund, Director of Strategic Management and Evaluation, Mississippi Bend Area Education Agency 9, 729 21<sup>st</sup> Street, Bettendorf, Iowa 52722.

## **BASIC FINANCIAL STATEMENTS**

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**STATEMENT OF NET ASSETS**  
June 30, 2011

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 10,196,937
Investments	682,157
Receivables	
Due from other governments	2,162,280
Accounts (net of \$11,672 allowance for uncollectible accounts)	309,928
Inventories	83,110
Capital assets (net of accumulated depreciation)	6,383,516
Total assets	19,817,928
<b>LIABILITIES</b>	
Accounts payable	1,828,568
Accrued interest payable	27,092
Salaries and benefits payable	303,573
Deferred revenue	
State and federal grants	1,106,959
Insurance claims incurred but not reported	306,465
Long-term liabilities	
Portion due or payable within one year	
Certificates of participation	155,000
Capital leases payable	1,278
Compensated absences	450,800
Portion due or payable after one year	
Certificates of participation	3,690,000
Capital leases payable	1,469
Compensated absences	2,259,935
Net OPEB liability	259,000
Total liabilities	10,390,139
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,535,769
Restricted:	
Expendable:	
Debt service	435,035
Categorical funding	3,073,869
Media materials	415,939
Special education instruction	1,142,448
Other purposes	1,432,036
Non-expendable	83,110
Unrestricted	309,583
Total net assets	\$ 9,427,789

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

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Revenue</u>
<b>FUNCTIONS/PROGRAMS</b>		<u>Service</u>	<u>and Contributions</u>	<u>and Changes</u>
				<u>in Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction	\$ 1,329,172	\$ 687,417	\$ 129,122	\$ (512,633)
Student support services	19,072,329	216,005	13,750,183	(5,106,141)
Instructional staff support services	8,317,743	328,359	1,961,509	(6,027,875)
General administration	1,920,664	-	-	(1,920,664)
Business administration	1,287,081	422,573	80,325	(784,183)
Plant operations and maintenance	850,486	-	-	(850,486)
Central and other support services	1,592,316	22,211	118,467	(1,451,638)
Debt service	169,111	-	-	(169,111)
	<u>\$ 34,538,902</u>	<u>\$ 1,676,565</u>	<u>\$ 16,039,606</u>	<u>(16,822,731)</u>
Total governmental activities				
General revenues:				
Property taxes				10,063,886
State Foundation Aid				8,135,753
Juvenile Home				478,804
Local donations				64,689
Unrestricted investment earnings				23,364
				<u>18,766,496</u>
Total general revenues				
<b>CHANGE IN NET ASSETS</b>				1,943,765
<b>NET ASSETS, BEGINNING OF YEAR, AS RESTATED</b>				<u>7,484,024</u>
<b>NET ASSETS, END OF YEAR</b>				<u>\$ 9,427,789</u>

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

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2011**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Juvenile Home</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$ 10,196,937	\$ -	\$ -	\$ 10,196,937
Investments	316,282	365,875	-	682,157
Receivables				
Due from other governments	2,162,280	-	-	2,162,280
Accounts (net of \$11,672 allowance for uncollectible accounts)	309,928	-	-	309,928
Due from other funds	63,835	96,252	-	160,087
Inventories	83,110	-	-	83,110
<b>TOTAL ASSETS</b>	<u>\$ 13,132,372</u>	<u>\$ 462,127</u>	<u>\$ -</u>	<u>\$ 13,594,499</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,828,568	\$ -	\$ -	\$ 1,828,568
Salaries and benefits payable	293,114	-	10,459	303,573
Due to other funds	96,252	-	63,835	160,087
Deferred revenue				
State and federal grants	1,106,959	-	-	1,106,959
Insurance claims incurred but not reported	306,465	-	-	306,465
Total liabilities	<u>3,631,358</u>	<u>-</u>	<u>74,294</u>	<u>3,705,652</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	83,110	-	-	83,110
Restricted for:				
Debt service	-	462,127	-	462,127
Categorical funding	3,848,673	-	-	3,848,673
Media materials	415,939	-	-	415,939
Special education instruction	3,337,379	-	-	3,337,379
Other purposes	1,432,036	-	-	1,432,036
Assigned	85,940	-	-	85,940
Unassigned	297,937	-	(74,294)	223,643
Total fund balances	<u>9,501,014</u>	<u>462,127</u>	<u>(74,294)</u>	<u>9,888,847</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 13,132,372</u>	<u>\$ 462,127</u>	<u>\$ -</u>	<u>\$ 13,594,499</u>

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

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2011**

Total governmental fund balances (page 15)	\$ 9,888,847
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the funds. The cost of assets is \$11,776,962 and the accumulated depreciation is \$5,393,446.	6,383,516
Long-term liabilities, including certificates of participation, capital leases, compensated absences, accrued interest payable, and other post employment benefits, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(6,844,574)</u>
<b>Net assets of governmental activities (page 13)</b>	<b><u>\$ 9,427,789</u></b>

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

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Juvenile Home</u>	<u>Total</u>
<b>REVENUES</b>				
Local sources	\$ 11,960,690	\$ 39	\$ -	\$ 11,960,729
State sources	9,771,364	-	478,804	10,250,168
Federal sources	<u>14,270,365</u>	<u>-</u>	<u>1,404</u>	<u>14,271,769</u>
Total revenues	<u>36,002,419</u>	<u>39</u>	<u>480,208</u>	<u>36,482,666</u>
<b>EXPENDITURES</b>				
Current				
Instruction	885,811	-	438,925	1,324,736
Student support services	19,091,151	-	-	19,091,151
Instructional staff support services	8,283,772	-	-	8,283,772
General administration	1,866,700	-	48,810	1,915,510
Business administration	1,294,254	-	-	1,294,254
Plant operations and maintenance	724,073	-	-	724,073
Central and other support services	1,594,904	-	-	1,594,904
Debt service	<u>-</u>	<u>318,364</u>	<u>-</u>	<u>318,364</u>
Total expenditures	<u>33,740,665</u>	<u>318,364</u>	<u>487,735</u>	<u>34,546,764</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,261,754</u>	<u>(318,325)</u>	<u>(7,527)</u>	<u>1,935,902</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	318,364	-	318,364
Operating transfers out	<u>(318,364)</u>	<u>-</u>	<u>-</u>	<u>(318,364)</u>
Total other financing sources (uses)	<u>(318,364)</u>	<u>318,364</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	1,943,390	39	(7,527)	1,935,902
<b>FUND BALANCES, BEGINNING OF YEAR, AS RESTATED</b>	<u>7,557,624</u>	<u>462,088</u>	<u>(66,767)</u>	<u>7,952,945</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 9,501,014</u>	<u>\$ 462,127</u>	<u>\$ (74,294)</u>	<u>\$ 9,888,847</u>

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

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011**

Net change in fund balances - total governmental funds (page 17) \$ 1,935,902

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Capital outlays	\$ 1,332,483	
Loss on disposals	(966,148)	
Depreciation expense	<u>(481,621)</u>	(115,286)

Repayment of long-term debt principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

Certificates of participation	150,000	
Capital leases	<u>83,987</u>	233,987

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(37,807)	
Increase in net OPEB liability	(74,000)	
Interest on long-term debt	<u>969</u>	<u>(110,838)</u>

**Change in net assets of governmental activities (page 14) \$ 1,943,765**

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

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**Year Ended June 30, 2011**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 43,888
<b>LIABILITIES</b>	
Due to other groups	<u>43,888</u>
<b>NET ASSETS</b>	
None	<u><u>\$ -</u></u>

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

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Mississippi Bend Area Education Agency 9 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 22 school districts and private schools in a six-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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

**Reporting Entity**

For financial reporting purposes, Mississippi Bend Area Education Agency 9 has included all funds, organizations, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. Mississippi Bend Area Education Agency 9 has no component units which meet the Governmental Accounting Standards Board criteria.

**Basis of Presentation**

Government-wide financial statements - The statement of net assets and the statement of activities report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements.

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

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

*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.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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. 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 Debt Service Fund is used to account for the accumulation of resources for payment of principal and interest on certificates of participation.

The Agency also reports a fiduciary fund, which focuses on net assets and changes in net assets. The Agency's fiduciary fund includes the following:

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

**Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Agency's policy is to pay the expenditure from restricted fund balance and then from, less-restrictive classifications - committed, assigned, and then unassigned fund balances.

**Assets, Liabilities, and Fund Equity**

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

All short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have 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 sale or consumption.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

Land	\$ 2,500
Buildings	2,500
Furniture and equipment	2,500
Library books, videos, and DVD's	1

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Furniture and equipment	5
Library books, videos, and DVD's	10

**Impairment of Long-Lived Assets** - The Agency reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

**Salaries and Benefits Payable** - Payroll and related expenses for employees corresponding to the current fiscal year, which are payable in the following fiscal year, 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.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**Compensated Absences** - Agency employees accumulate a limited amount of earned but unused vacation and paid time off hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the statement of net assets representing the Agency's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

**Long-Term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

**Fund Balances** - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Directors through resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same action it employed to commit these amounts.

Assigned - Amounts constrained by the government's intent to be used for a specific purpose, but not restricted or committed.

Unassigned - All amounts not included in other spendable classifications.

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

**Budgeting and Budgetary Control** - The budgetary comparison and related disclosures are reported as Required Supplemental Information.

**Subsequent Events** - Management has evaluated subsequent events through November 25, 2011, the date the financial statements were available to be issued.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 2 - CASH AND INVESTMENTS**

The Agency's deposits in banks at June 30, 2011 were entirely covered by Federal depository insurance, or by the State sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u><b>Amortized Cost</b></u>
Diversified Portfolio	
Governmental activities	<u>\$ 316,282</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The Agency's investment policy limits the investment of operating funds to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs of the Agency.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 3 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2011 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:				
Land	\$ 38,600	\$ -	\$ -	\$ 38,600
Capital assets being depreciated:				
Buildings	6,411,747	14,144	-	6,425,891
Furniture and equipment	3,373,286	148,977	14,943	3,507,320
Library books, videos, and DVD's	1,985,035	1,169,362	1,349,246	1,805,151
Total assets being depreciated	<u>11,770,068</u>	<u>1,332,483</u>	<u>1,364,189</u>	<u>11,738,362</u>
Less accumulated depreciation for:				
Buildings	1,844,142	128,376	-	1,972,518
Furniture and equipment	3,114,034	163,733	14,943	3,262,824
Library books, videos, and DVD's	351,690	189,512	383,098	158,104
Total accumulated depreciation	<u>5,309,866</u>	<u>481,621</u>	<u>398,041</u>	<u>5,393,446</u>
Total capital assets, being depreciated, net	<u>6,460,202</u>	<u>850,862</u>	<u>966,148</u>	<u>6,344,916</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 6,498,802</u>	<u>\$ 850,862</u>	<u>\$ 966,148</u>	<u>\$ 6,383,516</u>

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

Governmental activities:	
Student support services	\$ 40,810
Instructional staff support services	215,099
Business administration	74,303
Plant operations and maintenance	139,194
Central and other support services	<u>12,215</u>
<b>Total governmental activities depreciation expense</b>	<u>\$ 481,621</u>

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 - INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	General	\$318,364

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

**NOTE 5 - DUE FROM AND DUE TO OTHER FUNDS**

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Juvenile Home	\$ 63,835
Debt Service	General	<u>96,252</u>
<b>Total</b>		<u>\$160,087</u>

**NOTE 6 - CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2011 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>
Certificates of participation	\$3,995,000	\$ -	\$ 150,000	\$3,845,000	\$ 155,000
Capital leases	86,734	-	83,987	2,747	1,278
Compensated absences	2,672,928	563,406	525,599	2,710,735	450,800
Net OPEB liability	<u>185,000</u>	<u>74,000</u>	<u>-</u>	<u>259,000</u>	<u>-</u>
<b>Total</b>	<u>\$6,939,662</u>	<u>\$ 637,406</u>	<u>\$ 759,586</u>	<u>\$6,817,482</u>	<u>\$ 607,078</u>

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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

Certificates of Participation

On May 1, 2005, the Agency issued \$4,660,000 of Refunding Certificates of Participation, Series 2005A, with interest rates ranging from 3.60% to 4.45%, for various project costs and a crossover refunding of the Series 1997 Certificates of Participation issued July 1, 1997. The Agency entered into an escrow agreement whereby a portion of the proceeds of the refunding certificates of participation along with additional cash were placed in an escrow account for the purpose of paying the principal and interest on the refunded certificates of participation when they are subject to optional redemption in whole or in part on May 1, 2008. \$1,500,000 of the proceeds were placed into a construction fund to pay for various project costs. The transactions, balances and liabilities of the escrow account are recorded by the Agency since the refunded debt is not considered extinguished. Annual debt service requirements to maturity of the refunding certificates of participation are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 155,000	\$ 162,551	\$ 317,551
2013	160,000	156,545	316,545
2014	170,000	150,345	320,345
2015	220,000	143,758	363,758
2016	230,000	135,068	365,068
2017-2021	1,295,000	526,160	1,821,160
2022-2025	<u>1,615,000</u>	<u>206,775</u>	<u>1,821,775</u>
<b>Total</b>	<b><u>\$3,845,000</u></b>	<b><u>\$1,481,202</u></b>	<b><u>\$5,326,202</u></b>

Payments on the certificates of participation for the year ended June 30, 2011, including interest, totaled \$318,364.

The advance refunding increased total debt service payments over the next 20 years by over \$738,000. This results in an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$33,425.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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

Capital Leases

The Agency has entered into agreements to lease equipment. The agreements are for periods of three to five years at interest rates ranging from 6% to 24% per annum. The leases expire between June 2012 and June 2013 and also require the payment of normal maintenance charges. The following is a schedule by year of future payments required:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,278	\$ 522	\$ 1,800
2013	<u>1,469</u>	<u>182</u>	<u>1,651</u>
<b>Total</b>	<u>\$ 2,747</u>	<u>\$ 704</u>	<u>\$ 3,451</u>

Payments under these agreements for the year ended June 30, 2011, including interest, totaled \$87,615.

**NOTE 7 - OPERATING LEASES**

The Agency has leased a satellite facility. This lease has been classified as an operating lease and accordingly, all rent is charged to expenditure as incurred. The lease is renewed on an annual basis and requires the payment of normal maintenance on the property. Management expects the lease will be renewed.

The Agency also has several operating leases for equipment. The leases expire on various dates through 2015 and all have different minimum annual rental payments.

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, 2011.

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 9,176
2013	7,939
2014	2,340
2015	<u>1,755</u>
<b>Total</b>	<u>\$ 21,210</u>

Total rental expenditures for the year ended June 30, 2011 for all operating leases were \$67,816.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 8 - 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 supplemental 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 4.50% of their annual salary and the Agency is required to contribute 6.95% of annual payroll. Contribution requirements are established by State statute. The Agency's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009, were \$1,516,067, \$1,393,435, and \$1,299,594, respectively, equal to the required contributions for each year.

**NOTE 9 - POST-EMPLOYEE BENEFITS OTHER THAN PENSION BENEFITS**

Plan Description - The Agency operates a self-funded insurance plan which provides medical/prescription drug benefits for retirees and their families. There are 308 active and 23 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through the Agency's plan. 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.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan 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.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 9 - POST-EMPLOYEE BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)**

The following table shows the components of the Agency's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation:

Annual required contribution	\$ 214,000
Interest on net OPEB obligation	8,000
Adjustment to annual required contribution	<u>(7,000)</u>
Annual OPEB cost	215,000
Contributions made	<u>(141,000)</u>
Increase in net OPEB obligation	74,000
Net OPEB obligation beginning of year	<u>185,000</u>
Net OPEB obligation end of year	<u>\$ 259,000</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 estimated contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the estimated Agency contributions were \$141,000 to the medical plan. Plan members eligible for benefits contributed 100% 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 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 254,000	27.17%	\$ 185,000
June 30, 2011	215,000	65.58%	259,000

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$2.295 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.295 million. The covered payroll (annual payroll of active employees covered by the plan) was \$20,339,289, and the ratio of the UAAL to covered payroll was 11.3%. As of June 30, 2011, there were no trust fund assets.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 9 - POST-EMPLOYEE BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)**

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 assumption 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 supplemental 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 that are 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 the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the Agency's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 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, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

**NOTE 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.

Litigation

The Agency is a defendant in several lawsuits. Insurance coverage is being afforded for all claims.

Self-funded insurance plans

The Agency has self-funded health and dental insurance plans. The Agency purchases commercial insurance to provide for aggregate stop-loss health coverage for 125% of the excess of estimated claims for the plan year that exceed \$2,411,801, and specific stop-loss health insurance coverage for claims in excess of \$70,000 for any one covered individual during the plan year.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 10 - RISK MANAGEMENT (CONTINUED)**

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. That reserve was \$1,432,036 at June 30, 2011. Changes in the aggregate claims liability for the current year are as follows:

Balance, beginning of year	\$ 1,561,457
Employee paid premiums	2,695,240
Claims paid	(2,504,890)
Fees	<u>(13,306)</u>
Balance, end of year	1,738,501
Claims incurred but not reported	<u>(306,465)</u>
<b>Insurance claims reserve</b>	<b><u>\$ 1,432,036</u></b>

**NOTE 11 - DEFICIT FUND BALANCE**

At June 30, 2011 the Juvenile Home Fund had a deficit fund balance of \$74,294 resulting from less than expected revenues. It is expected that revenues for the next year will provide a positive fund balance.

**NOTE 12 - RESTATEMENT OF FUND BALANCES/NET ASSETS**

The government-wide financial statements have restated their prior year net assets due to the following:

	<u>Governmental</u>
	<u>Activities</u>
Beginning net assets, as previously reported	\$ 7,648,260
Revenue and accounts receivable overstatement	<u>(164,236)</u>
Beginning net assets, as restated	<u>\$ 7,484,024</u>

The following governmental funds have restated the prior year fund balances due to the following:

	<u>General</u>
Beginning net assets, as previously reported	\$ 7,658,873
Revenue overstatement	<u>(101,249)</u>
Beginning net assets, as restated	<u>\$ 7,557,624</u>

	<u>Juvenile Home</u>
Beginning net assets, as previously reported	\$ (3,780)
Accounts receivable overstatement	<u>(62,987)</u>
Beginning net assets, as restated	<u>\$ (66,767)</u>

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

**REQUIRED SUPPLEMENTAL INFORMATION**

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN BALANCES - BUDGET AND ACTUAL  
ALL GOVERNMENTAL FUNDS  
Year Ended June 30, 2011**

	<u>Actual</u>	<u>Original</u>	<u>Budget</u> <u>Final</u>	<u>Final to Actual Variance - Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Local sources	\$ 11,960,729	\$ 10,924,128	\$ 12,818,962	\$ (858,233)
State sources	10,250,168	12,552,281	10,383,865	(133,697)
Federal sources	<u>14,271,769</u>	<u>15,864,881</u>	<u>14,135,528</u>	<u>136,241</u>
Total revenues	<u>36,482,666</u>	<u>39,341,290</u>	<u>37,338,355</u>	<u>(855,689)</u>
<b>EXPENDITURES</b>				
Current				
Instruction	1,324,736	1,869,411	1,605,147	280,411
Student support services	19,091,151	21,647,805	20,150,534	1,059,383
Instructional staff support services	8,283,772	10,123,130	9,563,285	1,279,513
General administration	1,915,510	1,568,938	1,973,143	57,633
Business administration	1,294,254	2,126,635	1,591,291	297,037
Plant operations and maintenance	724,073	880,514	711,764	(12,309)
Central and other support services	1,594,904	2,490,509	2,178,892	583,988
Debt service	<u>318,364</u>	<u>318,364</u>	<u>318,364</u>	<u>-</u>
Total expenditures	<u>34,546,764</u>	<u>41,025,306</u>	<u>38,092,420</u>	<u>3,545,656</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,935,902</u>	<u>(1,684,016)</u>	<u>(754,065)</u>	<u>2,689,967</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	318,364	318,364	318,364	-
Operating transfers out	<u>(318,364)</u>	<u>(318,364)</u>	<u>(318,364)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	1,935,902	(1,684,016)	(754,065)	2,689,967
<b>BALANCE, BEGINNING OF YEAR</b>	<u>7,952,945</u>	<u>7,506,669</u>	<u>7,506,669</u>	<u>446,276</u>
<b>BALANCE, END OF YEAR</b>	<u>\$ 9,888,847</u>	<u>\$ 5,822,653</u>	<u>\$ 6,752,604</u>	<u>\$ 3,136,243</u>

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTE TO REQUIRED SUPPLEMENTAL INFORMATION -**  
**BUDGETARY REPORTING**  
**June 30, 2011**

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

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

For the year ended June 30, 2011, the Agency's expenditures in the plant operations and maintenance function exceeded the amount budgeted.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
June 30, 2011**

<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	-	\$2,386,000	\$2,386,000	0.00%	\$ 20,815,000	11.5%
2010	July 1, 2008	-	2,386,000	2,386,000	0.00%	19,256,103	12.4%
2011	July 1, 2010	-	2,295,000	2,295,000	0.00%	20,339,289	11.3%

See Note 9 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 SUPPLEMENTAL INFORMATION**

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
AGENCY FUND  
Year Ended June 30, 2011**

	<u>Balance, June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2011</u>
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 66,628</u>	<u>\$ 525,220</u>	<u>\$ 547,960</u>	<u>\$ 43,888</u>
<b>LIABILITIES</b>				
Due to other groups	<u>\$ 66,628</u>	<u>\$ 525,220</u>	<u>\$ 547,960</u>	<u>\$ 43,888</u>

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -**  
**ALL GOVERNMENTAL FUND TYPES**  
 For the Last Eight Years

	Modified Accrual Basis Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
<b>REVENUES</b>								
Local sources	\$ 11,960,729	\$ 9,765,957	\$ 10,312,994	\$ 9,936,373	\$ 10,203,859	\$ 9,562,624	\$ 8,943,963	\$ 8,784,708
State sources	10,250,168	11,331,310	11,783,728	10,666,415	9,192,876	8,304,075	8,062,739	7,943,264
Federal sources	14,271,769	20,564,478	13,462,657	11,984,494	12,508,305	14,866,468	15,059,591	12,457,130
<b>TOTAL REVENUES</b>	<b>\$ 36,482,666</b>	<b>\$ 41,661,745</b>	<b>\$ 35,559,379</b>	<b>\$ 32,587,282</b>	<b>\$ 31,905,040</b>	<b>\$ 32,732,167</b>	<b>\$ 32,066,293</b>	<b>\$ 29,185,102</b>
<b>EXPENDITURES</b>								
Instruction	\$ 1,324,736	\$ 1,388,010	\$ 2,394,377	\$ 2,115,309	\$ 2,207,853	\$ 1,867,586	\$ 2,013,323	\$ 2,554,533
Student support services	19,091,151	23,355,003	17,732,688	15,941,364	16,246,964	16,804,484	15,193,130	13,646,068
Instructional staff support services	8,283,772	8,916,428	8,343,906	7,243,142	7,074,119	7,592,516	7,555,648	7,173,801
General administration	1,915,510	1,817,021	1,640,378	1,572,659	1,569,033	1,762,107	1,920,696	2,422,493
Business administration	1,294,254	1,303,602	1,506,199	1,515,757	1,671,336	1,638,475	1,716,110	997,908
Plant operations and maintenance	724,073	710,611	771,041	808,444	831,913	1,939,328	768,273	532,223
Central and other support services	1,594,904	1,844,957	2,142,375	1,959,145	2,209,058	1,645,111	1,710,960	1,632,323
Debt service	318,364	318,801	319,051	319,114	3,230,840	614,696	384,238	261,423
<b>TOTAL EXPENDITURES</b>	<b>\$ 34,546,764</b>	<b>\$ 39,654,433</b>	<b>\$ 34,850,015</b>	<b>\$ 31,474,934</b>	<b>\$ 35,041,116</b>	<b>\$ 33,864,303</b>	<b>\$ 31,262,378</b>	<b>\$ 29,220,772</b>

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended 6/30/2011

GRANTOR/PROGRAM	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Education:			
Passed through State of Iowa, Department of Education:			
Special Education Cluster (IDEA)			
Special Education_Grants to States			
Part B - Section 611 LEA Flow through	84.027	9KB2-09	\$ 2,689,258
Part B - Section 611 Service to Handicapped	84.027	80909	7,896,573
Part B - Section 611 Parent Educator	84.027	87409	119,507
Framework for Effective Instruction	84.027		<u>9,099</u>
			10,714,437
Special Education_Preschool Grants			
Part B - Section 619 Preschool Diagnostic	84.173	08619-09	248,802
ARRA - Special Education Grants to States, Recovery Act			
ARRA - Part B	84.391		681,338
ARRA - Special Education - Preschool Grants, Recovery Act			
ARRA Section 619	84.392		<u>164,337</u>
			<u>11,808,914</u>
Early Intervention Services (IDEA) Cluster			
Special Education - Grants for Infants and Families			
Part C - Infant and Toddler	84.181	C08-09(8KC3)	339,353
ARRA - Special Education - Grants for Infants and Families, Recovery Act			
ARRA Part C	84.393		<u>200,528</u>
			<u>539,881</u>
Education Technology State Grants Cluster			
Educational Technology State Grants			
Enhancing Education Through Technology	84.318		68,350
ARRA - Education Technology State Grants, Recovery Act			
	84.386		<u>396</u>
			<u>68,746</u>
Title I Grants to Local Educational Agencies			
	84.010		<u>1,404</u>
Career and Technical Education - Basic Grants to States			
Title II C - Andrew Consortium	84.048		30,109
Title II C - Bettendorf Consortium	84.048		72,508
Title II C - Camanche Consortium	84.048		19,499
Title II C - Western Consortium	84.048		<u>45,460</u>
			<u>167,576</u>
Safe and Drug-Free Schools and Communities_National Programs			
Iowa Safe and Supportive Schools	84.184		<u>29,518</u>
Special Education - State Personnel Development			
Miscellaneous IDEA - Secondary Professional Development	84.323	SPDG-10	36,012
Grow Your Own Specialist	84.323		<u>6,000</u>
			<u>42,012</u>
English Language Acquisition Grants			
English Language Learners	84.365		<u>148,248</u>
Improving Teacher Quality State Grants			
Non-Public Staff Development	84.367		<u>25,694</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act			
ARRA ICC PD	84.394		<u>3,204</u>
<b>TOTAL</b>			<b>\$ 12,835,197</b>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Mississippi Bend Area Education Agency 9 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.



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

To the Board of Directors of  
Mississippi Bend Area Education Agency 9  
Bettendorf, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mississippi Bend Area Education Agency 9 as of and for the year ended June 30, 2011, which collectively comprise Mississippi Bend Area Education Agency 9's basic financial statements listed in the table of contents, and have issued our report thereon dated November 25, 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 Mississippi Bend Area Education Agency 9's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item II-A-11 that we consider to be a significant deficiency in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mississippi Bend Area Education Agency 9'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*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs and an immaterial instance of noncompliance that we have reported to management of Mississippi Bend Area Education Agency 9 in a separate letter dated November 25, 2011.

Comments involving statutory and other legal matters about Mississippi Bend Area Education Agency 9's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Mississippi Bend Area Education Agency 9. 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.

Mississippi Bend Area Education Agency 9's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on Mississippi Bend Area Education Agency 9's responses, we did not audit Mississippi Bend Area Education Agency 9's response and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mississippi Bend Area Education Agency 9 and other parties to whom Mississippi Bend Area Education Agency 9 may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mississippi Bend Area Education Agency 9 during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Clinton, Iowa  
November 25, 2011

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

To The Board of Directors of  
Mississippi Bend Area Education Agency 9  
Bettendorf, Iowa

**Compliance**

We have audited Mississippi Bend Area Education Agency 9's compliance 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 Mississippi Bend Area Education Agency 9's major federal programs for the year ended June 30, 2011. Mississippi Bend Area Education Agency 9'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 grants applicable to each of its major federal programs is the responsibility of Mississippi Bend Area Education Agency 9's management. Our responsibility is to express an opinion on Mississippi Bend Area Education Agency 9'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 Mississippi Bend Area Education Agency 9'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 Mississippi Bend Area Education Agency 9's compliance with those requirements.

In our opinion, Mississippi Bend Area Education Agency 9 complied, in all material respects, with the 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, 2011.

**Internal Control Over Compliance**

The management of Mississippi Bend Area Education Agency 9 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 Mississippi Bend Area Education Agency 9'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 entity'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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mississippi Bend Area Education Agency 9 and other parties to whom Mississippi Bend Area Education Agency 9 may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Went, John A. Foster, CAA PC*

Clinton, Iowa  
November 25, 2011

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011**

**Part I: Summary of the Independent Auditor's Results:**

**Financial Statements**

Type of auditor's report issued: Unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiencies identified that are not considered to be material weakness(es)?  yes  none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>Cluster:</u>	
<u>84.027</u>	<u>Special Education Grants to States</u>
<u>84.173</u>	<u>Special Education Preschool Grants</u>
<u>84.391</u>	<u>ARRA - Special Education - Grants to States, Recovery Act</u>
<u>84.392</u>	<u>ARRA - Special Education - Preschool Grants, Recovery Act</u>
<u>Cluster:</u>	
<u>84.181</u>	<u>Special Education - Grants for Infants and Families</u>
<u>84.393</u>	<u>ARRA - Special Education - Grants for Infants and Families, Recovery Act</u>

Dollar threshold used to distinguish between type A and type B programs: \$ 385,056

Auditee qualified as low-risk auditee?  yes  no

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011**

**Part II: Financial Statement Findings:**

**Internal Control Deficiencies:**

II-A-11 Financial Statement Preparation

Criteria - The Agency engages Winkel, Parker & Foster, CPA PC to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, Winkel, Parker & Foster cannot be considered part of the Agency's internal control system. To establish proper internal control over the preparation of its financial statements, including disclosures, the Agency should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate.

Condition - The Agency has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the entity's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Effect - Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Cause - The Agency has relied on independent auditors to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation - Management should perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Response - Management will perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Conclusion - Response accepted.

**Instances of Non-compliance:**

No matters were noted.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011**

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

**Instances of Non-compliance:**

No matters were noted.

**Internal Control Deficiencies:**

No matters were noted.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011**

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

IV-A-11 Certified Budget - Expenditures for the year ended June 30, 2011 exceeded the amount budgeted in the plant operations and maintenance function.

Recommendation - The budget should have been amended before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

IV-B-11 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

IV-D-11 Business Transactions - No business transactions between the Agency and Agency officials or employees were noted.

IV-E-11 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 insure that the coverage is adequate for current operations.

IV-F-11 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-11 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.

IV-H-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-I-11 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS  
Year Ended June 30, 2011**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>
No matters were noted.		

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS  
Year Ended June 30, 2011**

<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>
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There were no comments made regarding significant deficiencies or noncompliance with federal awards.



**Winkel, Parker  
& Foster, CPA PC**

Certified Public Accountants & Consultants

Audit Committee and Board of Directors  
Mississippi Bend Area Education Agency 9  
Bettendorf, Iowa

We have completed our audit of Mississippi Bend Area Education Agency 9's financial statements as of and for the year ended June 30, 2011, and have issued our report dated November 25, 2011. In connection with our audit engagement, we noted the following matter which we would like to bring to your attention.

**Reconcile Accounts to Supporting Documents**

In order to make the financial reports generated by the accounting system as meaningful as possible, the Agency should reconcile the general ledger accounts for cash to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

During the audit we noted that monthly bank reconciliations did not agree to the general ledger. Although monthly bank reconciliations were being performed during the year, reconciled balances were not agreed to the general ledger. We recommend that book balances are reconciled to the general ledger on a monthly basis. These reconciliations will ensure meaningful and accurate financial statements. The financial statements can then be used to assist management in the decision-making process of the Agency.

This letter is intended solely for the information and use of management, the Audit Committee, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Winkel, Parker & Foster, CPA PC*

Clinton, Iowa  
November 25, 2011