

**GRANT WOOD AREA EDUCATION AGENCY 10
CEDAR RAPIDS, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

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Officials

Name	Title	Term Expires
Board of Directors		
James C. Green	President	September 30, 2011
Dr. Lynne Cannon	Vice President	September 30, 2011
Sue Gates	Member	September 30, 2013
Morris Greenfield	Member	September 30, 2013
Marlene L. Hill	Member	September 30, 2011
Pamela Jacobs	Member	September 30, 2013
Mary Meisterling	Member	September 30, 2011
Robert Schneider	Member	September 30, 2011
Marilyn Wirtz	Member	September 30, 2013
Agency		
Ronald S. Fielder	Chief Administrator	(Resigned June 30, 2011)
Kim Martin	Board Secretary	Indefinite
Barbara Harms	Board Treasurer/Business Manager	Indefinite

HOGAN ♦ HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grant Wood Area Education Agency 10 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 the Agency's management. 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 and provisions 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, 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 Grant Wood Area Education Agency 10 at 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 December 16, 2011 on our consideration of Grant Wood Area Education Agency 10's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, budgetary comparison information and schedule of funding progress for the retiree health plan on pages 4 through 9 and pages 29 and 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grant Wood Area Education Agency 10's basic financial statements. The financial statements and supplemental data for the three years ended June 30, 2010, 2009 and 2008 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report who expressed unqualified opinions on those financial statements and supplemental data. Other supplementary information on pages 31 through 35, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 16, 2011

GRANT WOOD AREA EDUCATION AGENCY 10 MANAGEMENT'S DISCUSSION AND ANALYSIS

Grant Wood Area Education Agency 10 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 revenue decreased from \$58,223,234 in fiscal year 2010 (FY10) to \$53,081,404 in fiscal year 2011 (FY11), a decrease of \$5,141,830. General Fund expenditures decreased from \$54,212,788 in FY10 to \$47,273,092 in FY11, a decrease of \$6,939,696. General Fund net change in fund balance increased from \$3,576,297 in FY10 to \$5,355,688 in FY11. This resulted in an increase in the Agency's General Fund fund balance from \$8,620,308 in FY10 to \$13,975,996 in FY11.
- The decrease in General Fund revenue was due to funds previously received under the American Recovery and Reinvestment Act (ARRA). The decrease in federal ARRA revenue of \$7.9 million was offset by a corresponding decrease in expenditures. State funding increased \$2.1 million based on the funding formula, and local sale of services revenue also increased by \$358,291, as compared to FY10. The Agency also reduced staffing by attrition and other expenditures were very conservative due to concern about potential state funding cuts.

USING THIS ANNUAL REPORT

This 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 Grant Wood Area Education Agency 10 as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the Government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.
- Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the Agency.

Reporting the Agency as a Whole

The Statements 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 revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

In the Government-wide financial statements, the Agency's activities are divided into two categories:

- *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. Property taxes from local school districts, federal and state aid finance most of these activities.
- *Business-type activities:* This represents activities where the Agency charges fees to help cover the costs of certain services it provides. The Agency had no activities that fall into this category.

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 revenue, 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: (a) the General Fund, (b) the Special Revenue Funds, (c) the Debt Service Fund and (d) the Capital Project Fund.

The required financial statements include a balance sheet and a statement of revenue, expenditures and changes in fund balances.

2. Fiduciary funds are used to account for assets held by the Agency as an agent for 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 includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets. However, since the agency-type funds do not have net assets, the statement of changes in net assets has not been prepared.

Reconciliations between the Government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Grant Wood Area Education Agency 10’s net assets at the end of FY11 totaled approximately \$19.2 million. This compared to approximately \$13.9 million at the end of FY10. The analysis that follows provides a summary of the Agency’s net assets at June 30, 2011. The Agency does not have business-type activities.

	<u>Condensed Statement of Net Assets</u>	
	<u>Governmental Activities</u>	
	<u>June 30,</u>	
	2011	2010
Current and other assets.....	\$ 20,377,882	\$ 17,350,988
Capital assets	<u>5,832,917</u>	<u>5,944,237</u>
Total Assets	<u>26,210,799</u>	<u>23,295,225</u>
Long-term obligations	1,797,821	1,672,776
Other liabilities	<u>5,219,307</u>	<u>7,749,594</u>
Total Liabilities	<u>7,017,128</u>	<u>9,422,370</u>
Net Assets		
Invested in capital assets, net of related debt	4,967,917	4,849,237
Restricted.....	1,585,549	1,127,619
Unrestricted	<u>12,640,205</u>	<u>7,895,999</u>
Total Net Assets	<u>\$ 19,193,671</u>	<u>\$ 13,872,855</u>

The Agency’s combined net assets increased by \$5,320,816 during FY11 due to an increase in cash and receivables from other governments related to federal grants, growth in local program revenue and expected reimbursement for a FEMA-eligible project. A decrease in other liabilities also occurred due to the elimination of interfund payables/receivables.

The following analysis details the changes in net assets of Grant Wood Area Education Agency 10's activities.

	Changes in Net Assets	
	Governmental Activities	
	June 30,	
	2011	2010
Revenue		
Program Revenue		
Charges for service.....	\$ 6,631,556	\$ 6,091,973
Operating grants and contributions.....	24,095,901	31,753,499
General Revenue		
Property taxes passed through district	11,259,663	11,048,261
State foundation aid	14,005,946	12,134,274
Unrestricted investment earnings.....	44,770	53,425
Total Revenue	<u>56,037,836</u>	<u>61,081,432</u>
Program Expenses		
Instruction.....	3,296,866	3,417,436
Student support services	22,477,428	29,429,825
Instructional staff support services.....	14,019,774	13,887,608
General administration	1,922,920	2,115,939
Building administration.....	2,135,370	2,335,965
Business and central administration.....	3,577,566	2,350,399
Purchasing, distributing, printing, publishing and duplicating.....	869,658	899,306
Plant operations and maintenance	715,639	1,119,319
Central and other support services	25,015	62,445
Unallocated depreciation	156,659	12,100
Facilities acquisition and construction	679,018	165,129
Long-term debt interest	49,990	56,065
Noninstructional programs	791,117	911,748
Total Expenses	<u>50,717,020</u>	<u>56,763,284</u>
Change in Net Assets	5,320,816	4,318,148
Net Assets - Beginning of Year.....	<u>13,872,855</u>	<u>9,554,707</u>
Net Assets - End of Year	<u>\$ 19,193,671</u>	<u>\$ 13,872,855</u>

Decreases in federal ARRA funding account for the decrease in total revenue. The decrease in total expenses is primarily in student support services, which reflects the reduction in flow-through of ARRA funds to local school districts. Increases in business and central administration expenses occurred in the administrative technology area and were offset by additional charges for service revenue. The increase in facilities acquisition and construction was related to the completion of the flood wall/mitigation project that was approved by FEMA.

INDIVIDUAL FUND ANALYSIS

As previously noted, Grant Wood Area Education Agency 10 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's governmental funds reported combined fund balances of \$14,907,274, which is an increase from the beginning of the year fund balances of \$9,522,529. The increase was primarily in the General Fund and occurred due to revenue levels that exceeded planned expenditures. Due to the deadline for spending ARRA funds, staffing expenditures were shifted which created a carryover of state funds. This increased fund balance will be used to absorb expected state funding reductions.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Agency amended its budget once to reflect additional revenue and to reduce expenditures to reflect actual staffing levels and wage settlements.

The Agency's total revenue was \$176,457 less than total budgeted revenue, a variance of less than 1%. Total expenditures were \$4,653,417 less than budgeted, a variance of 8.4%.

A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the Required Supplementary Information section of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the Agency had invested \$5,832,917, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers, equipment, intangibles and an extensive library/media collection. This is a net decrease of \$111,320 from the beginning of the year and is due to the annual depreciation expense exceeding the cost of new assets purchased.

Grant Wood Area Education Agency 10 reported depreciation expense of \$981,776 in FY11 and total accumulated depreciation of \$10,756,549 at June 30, 2011. More detailed information about capital assets is available in Note 3 to the financial statements.

Long-Term Debt

At June 30, 2011, the Agency had \$1,797,821 in long-term debt outstanding compared to \$1,672,776 at June 30, 2010. The long-term debt is in the form of certificates of participation, OPEB liability and early retirement benefit payable. More detailed information about the Agency's long-term liabilities is available in Note 4 to the financial statements.

ECONOMIC FACTORS BEARING ON THE AGENCY'S FUTURE

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

- Due to the impact of the national economic recession, state and federal funding levels continue to be an area of concern. In FY10, a 10% across-the-board reduction in funding to all state-supported agencies equated to a cut of \$1.6 million for the Agency. This was absorbed without staff reductions due to the mid-year timing and our staff contractual obligations. Growth in state aid to schools and AEAs has been at historic lows. The Agency received allowable growth of 2% for FY11; however, the state has set a 0% growth rate for FY12 and a 2% growth rate for FY13. The statewide AEA system also received a targeted \$20 million reduction for FY12, which equates to a cut of \$2,590,760. The Agency implemented staff reductions and will utilize available fund balance to offset the impact of these state funding cuts.
- Future enrollment stability is a critical element in maintaining a sound financial foundation. After a number of years of increasing enrollment, the Agency experienced an overall decline in students served between 2007 and 2009. Enrollment counts for October, 2010 and 2011 reflect modest increases (0.03% and 0.11%, respectively).
- Growth in employee wages related to salary schedule movement and increased benefit costs are anticipated to outpace the increase in state-controlled funding. This relationship has profound effects on the General Fund budget as approximately 70% of all expenditures are related to staff salaries and benefits.
- For three consecutive years (FY09 - FY11), there were no increases in health insurance premiums. Medical claims expenses have been trending upward though, and despite adjustments in plan design, premiums will increase by 4% for FY12. Health insurance rates will continue to be a key budgetary factor.
- During June, 2008, the City of Cedar Rapids experienced a historical flood event. The flood damaged an estimated 5,390 homes, as well as 1,133 businesses and 486 nonprofit organizations. The total documented damages for the Agency's main facility at 4401 - 6th Street, SW and contents is over \$4.56 million. The Grant Wood Area Education Agency qualified for Public Assistance benefits under guidelines established by the Federal Emergency Management Agency (FEMA). Due to the magnitude of flood and storm damages in the State of Iowa, the Agency submitted reimbursement requests to FEMA for 90% of eligible losses with the State of Iowa paying 10% of all qualifying damages incurred. A flood insurance penalty totaling \$695,055 was deducted by FEMA from the claims. Delays in receiving reimbursement from FEMA has also been an ongoing cash flow concern.
- At the November 9, 2011 meeting, the Board of Education authorized notice of call and prepayment in full of both the 2001 and 2005 Certificates of Participation. The debt prepayment occurred on December 15, 2011 utilizing \$280,027 in the Debt Service Reserve Fund and an additional \$586,554 from existing General Fund reserves.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office of Grant Wood Area Education Agency 10, 4401 - 6th Street, SW, Cedar Rapids, Iowa 52404.

Basic Financial Statements

Statement of Net Assets

At June 30, 2011

Assets

Cash and cash equivalents	\$ 10,474,344
Receivables	
Accounts.....	9,848
Due from other governments.....	9,847,981
Inventories	45,709
Capital assets, net of accumulated depreciation/amortization	<u>5,832,917</u>

Total Assets **\$ 26,210,799**

Liabilities

Accounts payable	\$ 944,710
Salaries and benefits payable	2,535,364
Due to other governments	1,425,204
Accrued liabilities.....	251,294
Deferred Revenue	
Federal	54,542
Miscellaneous.....	8,193
Long-Term Liabilities	
Portion Due or Payable Within One Year	
Certificates of participation	235,000
Early retirement benefits payable	260,181
Compensated absences.....	122,649
Portion Due or Payable After One Year	
Certificates of participation	630,000
Early retirement benefits payable	263,853
Net OPEB liability	<u>286,138</u>
Total Liabilities	<u>7,017,128</u>

Net Assets

Invested in capital assets, net of related debt	4,967,917
Restricted For	
Debt service.....	558,863
Other.....	1,026,686
Unrestricted	<u>12,640,205</u>
Total Net Assets	<u>19,193,671</u>

Total Liabilities and Net Assets **\$ 26,210,799**

Statement of Activities

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenue		Net Revenue, (Expenses) and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 3,296,866	\$ 1,863,334	\$ 2,425,619	\$ 992,087
Student support services	22,477,428	337,605	18,097,508	(4,042,315)
Instructional staff support services	14,019,774	2,358,408	2,429,114	(9,232,252)
General administration	1,922,920	64,499	—	(1,858,421)
Building administration	2,135,370	—	—	(2,135,370)
Business and central administration	3,577,566	1,656,833	418,205	(1,502,528)
Purchasing, distributing, printing, publishing and duplicating.....	869,658	201,819	—	(667,839)
Plant operations and maintenance	715,639	272	—	(715,367)
Central and other support services	25,015	3,101	—	(21,914)
Unallocated depreciation	156,659	—	—	(156,659)
Facilities acquisition and construction.....	679,018	—	578,561	(100,457)
Debt service.....	49,990	—	—	(49,990)
Noninstructional programs.....	791,117	145,685	146,894	(498,538)
Total Governmental Activities	\$ 50,717,020	\$ 6,631,556	\$ 24,095,901	(19,989,563)
General Revenue				
Property taxes levied for general purposes				11,259,663
State foundation aid.....				14,005,946
Unrestricted investment earnings				44,770
Total General Revenue				25,310,379
Change in Net Assets.....				5,320,816
Net Assets - Beginning of Year				13,872,855
Net Assets - End of Year.....				\$ 19,193,671

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

At June 30, 2011

	General	Special Revenue		Nonmajor Govern- mental Funds	Total
		Off-Site Programs	Disaster Recovery		
Assets					
Cash and cash equivalents.....	\$ 9,727,193	\$ —	\$ —	\$ 747,151	\$ 10,474,344
Receivables					
Accounts.....	9,848	—	—	—	9,848
Due from other governments.....	6,678,728	1,719,920	1,449,333	—	9,847,981
Due from other funds.....	2,800,268	—	—	—	2,800,268
Inventories.....	45,709	—	—	—	45,709
Total Assets.....	\$ 19,261,746	\$ 1,719,920	\$ 1,449,333	\$ 747,151	\$ 23,178,150
Liabilities and Fund Balances					
Liabilities					
Accounts payable.....	\$ 905,312	\$ 6,000	\$ 32,729	\$ 669	\$ 944,710
Salaries and benefits payable.....	2,426,656	76,948	—	31,760	2,535,364
Early retirement benefits payable	251,301	—	—	—	251,301
Due to other governments	1,425,204	—	—	—	1,425,204
Accrued liabilities	251,294	—	—	—	251,294
Due to other funds.....	—	1,393,922	1,406,346	—	2,800,268
Deferred Revenue					
Federal	17,790	—	10,258	26,494	54,542
Local	8,193	—	—	—	8,193
Total Liabilities	5,285,750	1,476,870	1,449,333	58,923	8,270,876
Fund Balances					
Nonspendable					
Inventories	45,709	—	—	—	45,709
Restricted for					
Debt service.....	—	—	—	558,863	558,863
Categorical funding	427,974	—	—	—	427,974
Media materials	598,712	—	—	—	598,712
Other.....	—	—	—	129,365	129,365
Committed for equipment replacement...	1,353,200	—	—	—	1,353,200
Assigned For					
Early retirement benefits	260,181	—	—	—	260,181
Professional leave	179,701	—	—	—	179,701
Local projects	238,184	—	—	—	238,184
Other.....	425,547	—	—	—	425,547
Unassigned	10,446,788	243,050	—	—	10,689,838
Total Fund Balances	13,975,996	243,050	—	688,228	14,907,274
Total Liabilities and Fund Balances....	\$ 19,261,746	\$ 1,719,920	\$ 1,449,333	\$ 747,151	\$ 23,178,150

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

At June 30, 2011

Total Fund Balances for Governmental Funds (Page 12).....	\$ 14,907,274
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,832,917
Long-term liabilities, including certificates of participation, compensated absences, early retirement benefits and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds	<u>(1,546,520)</u>
Net Assets of Governmental Activities (Page 10)	<u>\$ 19,193,671</u>

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2011

	General	Special Revenue		Nonmajor Govern- mental Funds	Total
		Off-Site Programs	Disaster Recovery		
Revenue					
Local sources	\$ 16,160,765	\$ 1,777,621	\$ —	\$ 26	\$ 17,938,412
State sources	16,530,444	57,203	57,856	543,021	17,188,524
Federal sources	<u>20,390,195</u>	<u>—</u>	<u>520,705</u>	<u>—</u>	<u>20,910,900</u>
Total Revenue	<u>53,081,404</u>	<u>1,834,824</u>	<u>578,561</u>	<u>543,047</u>	<u>56,037,836</u>
Expenditures					
Current					
Instruction	1,064,201	1,732,607	—	490,785	3,287,593
Student support services	22,236,594	138,055	—	—	22,374,649
Instructional staff support services	14,053,374	—	—	—	14,053,374
General administration	1,769,948	—	—	52,236	1,822,184
Building administration	2,123,953	—	—	—	2,123,953
Business and central administration	3,687,540	—	—	—	3,687,540
Purchasing, distributing, printing, publishing and duplicating	869,658	—	—	—	869,658
Plant operation and maintenance	676,908	9,035	—	—	685,943
Central and other support services	3,433	—	—	—	3,433
Facilities acquisition and construction	—	—	581,581	95,710	677,291
Debt service	—	—	—	279,990	279,990
Noninstructional programs	<u>787,483</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>787,483</u>
Total Expenditures	<u>47,273,092</u>	<u>1,879,697</u>	<u>581,581</u>	<u>918,721</u>	<u>50,653,091</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures					
	<u>5,808,312</u>	<u>(44,873)</u>	<u>(3,020)</u>	<u>(375,674)</u>	<u>5,384,745</u>
Other Financing Sources (Uses)					
Transfer in	—	—	3,020	449,604	452,624
Transfers out	<u>(452,624)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(452,624)</u>
Total Other Financing Sources (Uses)	<u>(452,624)</u>	<u>—</u>	<u>3,020</u>	<u>449,604</u>	<u>—</u>
Net Change in Fund Balances					
	5,355,688	(44,873)	—	73,930	5,384,745
Fund Balances - Beginning of Year	<u>8,620,308</u>	<u>287,923</u>	<u>—</u>	<u>614,298</u>	<u>9,522,529</u>
Fund Balances - End of Year	<u>\$ 13,975,996</u>	<u>\$ 243,050</u>	<u>\$ —</u>	<u>\$ 688,228</u>	<u>\$ 14,907,274</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities —————

Year Ended June 30, 2011

Change in Fund Balances - Total Governmental Funds (Page 14) \$ 5,384,745

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

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays, depreciation expense and loss on disposal for the year are as follows:

Capital outlays.....	\$ 870,635	
Loss on disposal	(179)	
Depreciation expense	<u>(981,776)</u>	(111,320)

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets.....		230,000
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Compensated absences, early retirement benefit expense and other postemployment benefits payable reported in the statement of activities does not require the use of current financial resources; and therefore, were not reported as expenditures in the governmental funds.		<u>(182,609)</u>
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Change in Net Assets of Governmental Activities (Page 11) \$ 5,320,816

Statement of Fiduciary Net Assets - Fiduciary Funds - Agency

At June 30, 2011

Assets

Cash	\$ 348,205
Accounts receivable	435,755
Due from other governments.....	<u>25,065</u>

Total Assets **\$ 809,025**

Liabilities

Accounts payable	\$ 276,780
Salaries payable.....	9,271
General Fund payable.....	5,309
Deposits held in custody of others.....	<u>517,665</u>

Total Liabilities **\$ 809,025**

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Organization and Function

Grant Wood Area Education Agency 10 is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 54 school districts and private schools in a seven-county area. The Agency is governed by a Board of Directors whose members are elected on a nonpartisan 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, the Agency has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Agency 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 activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

(1) Summary of Significant Accounting Policies and Other Matters

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (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 revenue are reported instead as general revenue.

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 had the following major governmental funds:

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

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

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

The Agency also reports fiduciary funds which focus on net assets. The Agency's fiduciary fund was as follows:

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

Measurement Focus and Basis of Accounting

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenue to be available if it is collected within 60 days after year end.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Intergovernmental revenue (shared revenue, 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 the grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants and general revenue. 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 revenue.

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 Cash Equivalents

Cash includes amounts in demand deposits and money market funds. Investment in the Iowa Schools Joint Investment Trust is valued at amortized cost.

Inventories

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

Capital Assets

Capital assets, which include property, furniture, equipment and intangibles, are reported in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost 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	\$ 1,000
Buildings.....	1,000
Improvements other than buildings	1,000
Furniture and equipment	1,000
Library books and other medial materials	Cost
Intangibles.....	200,000

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

All capital assets except library books are depreciated/amortized using the straight-line method of depreciation/amortization and library books are depreciated using the composite method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings.....	50 Years
Improvements other than buildings.....	20 Years
Furniture and equipment.....	5 Years
Library books and film.....	10 Years
Intangibles.....	15 Years

Salaries and Benefits Payable

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

Deferred Revenue

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

Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the statement of net assets representing the Agency's commitment to fund noncurrent 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 Liabilities

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

Fund Balances

In the governmental fund financial statements, fund balances are classified for amounts 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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 the Board of Directors intends to use for specific purposes.

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.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

Subsequent Events

Management has evaluated subsequent events through December 16, 2011, the date which the financial statements were available to be issued.

(2) Cash and Cash Equivalents

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 that 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; and certain joint investment trusts and warrants or improvement certificates of a drainage district.

Credit Risk

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

Notes to the Financial Statements

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 260,155	\$ —	\$ —	\$ 260,155
Intangible assets in development	<u>315,842</u>	<u>289,405</u>	<u>—</u>	<u>605,247</u>
Total Capital Assets Not Being Depreciated.....	<u>575,997</u>	<u>289,405</u>	<u>—</u>	<u>865,402</u>
Capital Assets Being Depreciated				
Buildings.....	5,944,794	—	—	5,944,794
Leasehold improvements.....	611,686	—	—	611,686
Furniture and equipment.....	5,091,553	334,639	106,438	5,319,754
Library books and films	3,758,385	246,591	519,198	3,485,778
Intangible assets	<u>362,052</u>	<u>—</u>	<u>—</u>	<u>362,052</u>
Total Capital Assets Being Depreciated.....	<u>15,768,470</u>	<u>581,230</u>	<u>625,636</u>	<u>15,724,064</u>
Less Accumulated Depreciation/ Amortization For				
Buildings.....	3,075,344	118,896	—	3,194,240
Leasehold improvements	232,770	30,584	—	263,354
Furniture and equipment	3,752,663	459,581	106,259	4,105,985
Intangibles.....	—	24,137	—	24,137
Library books and films	<u>3,339,453</u>	<u>348,578</u>	<u>519,198</u>	<u>3,168,833</u>
Total Accumulated Depreciation/Amortization	<u>10,400,230</u>	<u>981,776</u>	<u>625,457</u>	<u>10,756,549</u>
Net Total Capital Assets Being Depreciated/Amortized.....	<u>5,368,240</u>	<u>(400,546)</u>	<u>(179)</u>	<u>4,967,515</u>
Net Governmental Activities				
Capital Assets.....	<u>\$ 5,944,237</u>	<u>\$ (111,141)</u>	<u>\$ (179)</u>	<u>\$ 5,832,917</u>

Depreciation expense was charged as follows:

Governmental Activities	
Instruction.....	\$ 429
Student support services.....	14,295
Instructional staff support services.....	457,591
General administration	210,125
Building administration	83,799
Plant operations and maintenance.....	35,569
Central and other support services	21,582
Facilities acquisition and construction.....	1,727
Unallocated	<u>156,659</u>
Total Governmental Activities Depreciation Expense	<u>\$ 981,776</u>

Notes to the Financial Statements

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
Early retirement benefits.....	\$ 240,500	\$ 502,603	\$ 219,069	\$ 524,034	\$ 260,181
Compensated absences.....	125,413	122,649	125,413	122,649	122,649
Certificates of participation	1,095,000	—	230,000	865,000	235,000
Net OPEB liability	211,863	74,275	—	286,138	—
	<u>\$ 1,672,776</u>	<u>\$ 699,527</u>	<u>\$ 574,482</u>	<u>\$ 1,797,821</u>	<u>\$ 617,830</u>

Certificates of Participation

The Agency has sold certificates of participation for land, facilities and improvements. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over a period of 15 years with interest rates ranging from 4% to 5.15%. The following is a schedule by year of the future minimum payments required:

Year Ending June 30,	Principal	Interest	Total
2012.....	\$ 235,000	\$ 40,652	\$ 275,652
2013.....	60,000	31,032	91,032
2014.....	60,000	28,303	88,303
2015.....	65,000	25,483	90,483
2016.....	65,000	22,362	87,362
2017-2022	<u>380,000</u>	<u>60,036</u>	<u>440,036</u>
Total	<u>\$ 865,000</u>	<u>\$ 207,868</u>	<u>\$ 1,072,868</u>

Payments for the certificates of participation for the year ended June 30, 2011, including interest, totaled \$279,990.

Advance Refunding

On May 31, 2005, the Agency issued \$1,075,000 in certificates of participation with interest rates ranging from 3.5% to 4%, to refund \$1,160,000 of outstanding 1997 certificates of participation with interest rates ranging from 4.9% to 5.25%, prior to maturity. As a result, the 1997 certificates are considered to be in-substance defeased and the liability for these certificates has been removed from the Government-wide financial statements. The outstanding balance of the debt defeased totaled \$190,000 at June 30, 2011.

Early Retirement Benefits Payable

In 2009, Grant Wood Area Education Agency 10 adopted a Transition Separation Plan for its employees. The retirement benefit is calculated using rates ranging between 20% and 35% of the average annual pay of the employee's highest three fiscal years. Early retirement benefits paid to 23 participants during the year ended June 30, 2011 totaled \$251,302. For employees who separated prior to July 1, 2009, the Agency will continue to provide health and life insurance benefits for 41 participants through August, 2018. Actual expenditures for health and life insurance benefits for the year ended June 30, 2011 totaled \$50,964.

Notes to the Financial Statements

(4) Long-Term Liabilities

The following is a schedule by years of future estimated minimum payments required:

Year Ending June 30,	
2012.....	\$ 260,181
2013.....	256,829
2014.....	3,991
2015.....	2,088
2016.....	821
2017-18	124
Total	<u>\$ 524,034</u>

(5) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Offsite Programs	\$ 1,393,922
General	Disaster Recovery	1,406,346
Agency	General	1,425,204

The Offsite Programs Fund is repaying the General Fund for special education billings not received prior to the current year end. The balance is expected to be paid by September 30, 2011.

The Disaster Recovery Fund is repaying the General Fund for grant amounts not yet received. The balance is expected to be repaid by June 30, 2012.

The General Fund is repaying the Agency Fund for expenses paid prior to year end. The balance is expected to be repaid by August 31, 2011.

(6) Interfund Transfers

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

Transfer to	Transfer From	Amount
Debt Service	General	\$ 353,894
Disaster Recovery	General	3,020
Pool Transportation	General	95,710
Total		<u>\$ 452,624</u>

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

Notes to the Financial Statements

(7) Operating Leases

The Agency has leased office equipment and various facilities within the area to house the different programs of the Agency. These leases have been classified as operating leases and, accordingly, all rents are recorded as expenditures when incurred. The leases expire between July, 2011 and June, 2016. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties and equipment. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by years of future minimum rental payments required under operating leases which have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2011.

Year Ending June 30,	
2012.....	\$ 204,090
2013.....	188,922
2014.....	172,681
2015.....	148,110
2016.....	94,120
Total.....	<u>\$ 807,923</u>

Total rental expenditures for the year ended June 30, 2011 for all operating leases, except those with terms of a month or less that were not renewed, was \$354,612.

(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 supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.5% of their annual covered salary and the Agency is required to contribute 6.95% of annual covered 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 \$1,990,569, \$1,906,023 and \$1,753,848, respectively, which was equal to the required contribution for the years.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

Plan Description

The Agency participates in an Agent Multiple Employer Defined Benefit Health Care Plan called the Metro Interagency Insurance Program (MIIP). This plan provides health insurance benefits to eligible employees and their spouses. There are 415 active and 57 retired members in the plan. The postemployment health coverage is provided through the MIIP plans. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy of an OPEB liability. MIIP issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing to MIIP, 4401 - 6th Street, SW, Cedar Rapids, Iowa 52404.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution.....	\$ 198,740
Interest on net OPEB obligation	4,981
Adjustment to annual required contribution	—
Annual OPEB Cost	<u>203,721</u>
Contributions made	<u>116,819</u>
Increase in Net OPEB Obligation.....	86,902
Net OPEB Obligation - Beginning of Year	<u>199,236</u>
Net OPEB Obligation - End of Year.....	<u>\$ 286,138</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the Agency contributed \$116,819 to the medical plan. Plan members eligible for benefits contributed \$269,036, or 70%, of the premium costs.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	<u>\$ 198,740</u>	58.8%	<u>\$ 286,138</u>

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date for the period of July 1, 2010 through June 30, 2010, the actuarial accrued liability was \$1,642,382, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,642,382. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$28,904,000 and the ratio of the UAAL to the covered payroll was 5.7%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents 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 frozen entry age actuarial cost method was used. The actuarial assumptions included a 2.5% investment rate of return and an annual healthcare cost trend rate of 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2009 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$275 per month per active employee. The UAAL is being amortized as a level percentage of projected payroll expense over 30 years.

(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 did not exceed commercial insurance coverage in any of the past three fiscal years.

(11) Commitments and Contingencies

Employee Benefits

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

Contractual Commitments

Contractual commitments for projects entered into after June 30, 2011 totaled approximately \$1.3 million.

Required Supplementary Information

Schedule of Budgetary Comparison of Revenue, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds

Year Ended June 30, 2011

	Actual	Budget Amount		Over (Under) Budget
		Original	Final	
Revenue				
Local sources	\$ 17,938,412	\$ 17,378,650	\$ 16,966,908	\$ 971,504
State sources.....	17,188,524	16,397,837	16,874,727	313,797
Federal sources.....	<u>20,910,900</u>	<u>18,385,000</u>	<u>22,372,658</u>	<u>(1,461,758)</u>
Total Revenue.....	<u>56,037,836</u>	<u>52,161,487</u>	<u>56,214,293</u>	<u>(176,457)</u>
Expenditures				
Instruction	3,287,593	4,529,730	3,351,067	(63,474)
Student support services	22,374,649	25,794,000	23,525,379	(1,150,730)
Instructional staff support services ...	14,053,374	14,904,000	17,195,549	(3,142,175)
General administration	1,822,184	2,096,000	1,799,045	23,139
Building administration	2,123,953	2,381,800	2,224,053	(100,100)
Business and central administration	3,687,540	3,565,000	3,728,432	(40,892)
Purchasing, distributing, printing, publishing and duplicating.....	869,658	929,000	877,299	(7,641)
Plant operations and maintenance...	685,943	1,245,550	921,336	(235,393)
Central and other support services...	3,433	6,600	7,600	(4,167)
Facilities acquisition and construction	677,291	250,000	590,000	87,291
Debt service.....	279,990	279,990	279,990	—
Noninstructional programs.....	<u>787,483</u>	<u>1,072,000</u>	<u>806,758</u>	<u>(19,275)</u>
Total Expenditures.....	<u>50,653,091</u>	<u>57,053,670</u>	<u>55,306,508</u>	<u>(4,653,417)</u>
Revenue Over (Under) Expenditures	5,384,745	(4,892,183)	907,785	4,476,960
Other Financing Sources (Uses)...	<u>—</u>	<u>3,956,490</u>	<u>(90,000)</u>	<u>90,000</u>
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	5,384,745	(935,693)	817,785	4,566,960
Balance - Beginning of Year.....	<u>9,522,529</u>	<u>6,436,365</u>	<u>9,522,566</u>	<u>(37)</u>
Balance - End of Year.....	<u>\$ 14,907,274</u>	<u>\$ 5,500,672</u>	<u>\$ 10,340,351</u>	<u>\$ 4,566,923</u>

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

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

During the year ended June 30, 2011, one budget amendment increased budgeted revenue by \$4,052,806 and decreased expenditures by \$1,747,162. The budget amendment is reflected in the final budgeted amounts. For the year ended June 30, 2011, the Agency's expenditures did not exceed the approved budget.

Schedule of Funding Progress for the Retiree Health Plan ---

Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	July 1, 2008	\$ —	\$ 2,139,000	\$ 2,139,000	0.0%	\$ 26,737,000	8.0%
2010	July 1, 2008	—	2,139,000	2,139,000	0.0%	28,024,000	7.6
2011	July 1, 2010	—	1,642,382*	1,642,382*	0.0%	28,904,000	5.7

See Note 9 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

* Less than unfunded actuarial accrued liability as of June 30, 2010 because of fiscal year 2010/2011 actuarial loss due to pay-as-you go funding with increase in future normal costs offset by assumed trend and "aging" retired employees.

Other Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds ---

At June 30, 2011

	Special Revenue			
	Juvenile Home	Pool Trans- portation	Debt Service	Total
Assets				
Cash and Cash Equivalents	<u>\$ 58,923</u>	<u>\$ 129,365</u>	<u>\$ 558,863</u>	<u>\$ 747,151</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 669	\$ —	\$ —	\$ 669
Salaries and benefits payable	31,760	—	—	31,760
Deferred Revenue				
Federal	<u>26,494</u>	<u>—</u>	<u>—</u>	<u>26,494</u>
Total Liabilities	<u>58,923</u>	<u>—</u>	<u>—</u>	<u>58,923</u>
Fund Balances				
Restricted For				
Debt service	—	—	558,863	558,863
Other	<u>—</u>	<u>129,365</u>	<u>—</u>	<u>129,365</u>
Total Fund Balances	<u>—</u>	<u>129,365</u>	<u>558,863</u>	<u>688,228</u>
Total Liabilities and Fund Balances	<u>\$ 58,923</u>	<u>\$ 129,365</u>	<u>\$ 558,863</u>	<u>\$ 747,151</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2011

	Special Revenue				Total
	Juvenile Home	Pool Trans- portation	Capital Projects	Debt Service	
Revenue					
Local sources	\$ —	\$ —	\$ —	\$ 26	\$ 26
State sources.....	543,021	—	—	—	543,021
Total Revenue.....	<u>543,021</u>	<u>—</u>	<u>—</u>	<u>26</u>	<u>543,047</u>
Expenditures					
Instruction	490,785	—	—	—	490,785
General administration	52,236	—	—	—	52,236
Facilities acquisition and construction.....	—	—	95,710	—	95,710
Debt service.....	—	—	—	279,990	279,990
Total Expenditures.....	<u>543,021</u>	<u>—</u>	<u>95,710</u>	<u>279,990</u>	<u>918,721</u>
Deficiency of Revenue Under Expenditures	<u>—</u>	<u>—</u>	<u>(95,710)</u>	<u>(279,964)</u>	<u>(375,674)</u>
Other Financing Sources					
Transfers in.....	—	—	95,710	353,894	449,604
Net Change in Fund Balances	—	—	—	73,930	73,930
Fund Balances - Beginning of Year	—	129,365	—	484,933	614,298
Fund Balances - End of Year...	<u>\$ —</u>	<u>\$ 129,365</u>	<u>\$ —</u>	<u>\$ 558,863</u>	<u>\$ 688,228</u>

Schedule of Revenue by Source and Expenditures by Function - All Governmental Fund Types (Modified Accrual Basis)

For the Last Four Years

	2011	2010	2009	2008
Revenue				
Local sources	\$ 17,938,412	\$ 17,206,139	\$ 17,030,516	\$ 16,038,177
State sources.....	17,188,524	15,277,092	16,486,116	14,749,636
Federal sources.....	<u>20,910,900</u>	<u>28,598,201</u>	<u>19,520,136</u>	<u>15,202,341</u>
Total Revenue	<u>\$ 56,037,836</u>	<u>\$ 61,081,432</u>	<u>\$ 53,036,768</u>	<u>\$ 45,990,154</u>
Expenditures				
Current				
Instruction	\$ 3,287,593	\$ 3,410,085	\$ 4,478,567	\$ 3,431,606
Student support services	22,374,649	29,381,578	22,105,572	19,216,300
Instructional staff support services...	14,053,374	13,828,831	12,258,544	12,361,673
General administration.....	1,822,184	2,097,285	1,987,993	1,444,593
Building administration.....	2,123,953	2,331,166	2,288,356	1,990,916
Business and central administration	3,687,540	3,178,880	3,152,350	4,402,141
Purchasing, distributing, printing, publishing and duplicating	869,658	897,708	900,666	—
Plant operations and maintenance ..	685,943	1,115,925	1,426,833	1,712,287
Central and other support services ..	3,433	9,030	7,279	9,432
Facilities acquisition and construction .	677,291	164,998	1,633,129	—
Debt service.....	279,990	206,065	258,865	271,023
Noninstructional programs.....	<u>787,483</u>	<u>909,035</u>	<u>1,041,533</u>	<u>1,412,006</u>
Total Expenditures	<u>\$ 50,653,091</u>	<u>\$ 57,530,586</u>	<u>\$ 51,539,687</u>	<u>\$ 46,251,977</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education - Indirect		
Iowa Department of Education		
Special Education Cluster (IDEA)		
Special Education - Grants to States		
IDEA Part B Section 611.....	84.027	\$ 10,329,452
Information Management Systems	84.027	418,205
Parent Educator Connection.....	84.027	146,894
IDEA - Flowthrough to LEA.....	84.027	<u>3,558,211</u>
Total Special Education - Grants to States		<u>14,452,762</u>
Special Education - Preschool Grants - Section 619.....	84.173	<u>334,070</u>
ARRA - Special Education - Grants to States, Recovery Act - Part B, Section 611.....	84.391	<u>2,648,203</u>
ARRA - Special Education - Preschool Grants, Recovery Act - Section 619.....	84.392	<u>268,504</u>
Total Special Education Cluster (IDEA)		<u>17,703,539</u>
Career and Technical Education - Basic Grants to States.....	84.048	<u>252,219</u>
Special Education - Grants for Infants and Families - Part C - Infant and Toddler	84.181	387,875
ARRA - Special Education - Grants for Infants and Families, Recovery Act - Part C.....	84.393	<u>194,718</u>
Total Special Education - Infants and Families Cluster.....		<u>582,593</u>
Safe and Drug-Free Schools and Communities - State Grants ...	84.186	<u>112</u>
Education Technology State Grants	84.318	<u>353,856</u>
Special Education - State Professional Development		
IGISST - Science Grant.....	84.323	<u>70,467</u>
Reading First State Grants	84.357	<u>143,278</u>
Mathematics and Science Partnerships.....	84.366	<u>647</u>
ARRA - Education Technology State Grants, Recovery Act.....	84.386	<u>1,250,970</u>
Learn and Serve America - School and Community Based Programs	94.004	<u>2,063</u>
Total U.S. Department of Education		<u>20,359,744</u>
U.S. Department of Health and Human Services		
Iowa Department of Public Health		
Substance Abuse and Mental Health Services Projects of Regional and National Significance.....	93.243	<u>23,616</u>
U.S. Department of Homeland Security		
Iowa Homeland Security and Emergency Management Division		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>540,373</u>
Total Federal Financial Assistance.....		<u>\$ 20,923,733</u>

Schedule of Expenditures of Federal Awards ---

Year Ended June 30, 2011

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Grant Wood Area Education Agency 10 and is presented on the modified accrual basis of accounting. The information in 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.

HOGAN ♦ HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grant Wood Area Education Agency 10 as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements listed in the table of contents, and have issued our report thereon dated December 16, 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 Grant Wood Area Education Agency 10's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

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 that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over financial reporting we considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grant Wood Area Education Agency 10's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about Grant Wood Area Education Agency 10'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 Grant Wood Area Education Agency 10. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Grant Wood Area Education Agency 10 and other parties to whom Grant Wood Area Education Agency 10 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.

HOGAN - HANSEN

HOGAN - HANSEN
Mason City, Iowa
December 16, 2011

HOGAN ♦ HANSEN

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Certified Public Accountants and Consultants

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Grant Wood Area Education Agency 10, 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 its major federal programs for the year ended June 30, 2011. Grant Wood Area Education Agency 10's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Grant Wood Area Education Agency 10's management. Our responsibility is to express an opinion on Grant Wood Area Education Agency 10'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 provisions 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 Grant Wood Area Education Agency 10's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Grant Wood Area Education Agency 10's compliance with those requirements.

In our opinion, Grant Wood Area Education Agency 10 complied, in all material respects, with the requirements referred to above that 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 Grant Wood Area Education Agency 10 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Grant Wood Area Education Agency 10's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Grant Wood Area Education Agency 10's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the Agency's 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. We did not identify any deficiencies in internal control over compliance we considered to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Grant Wood Area Education Agency 10 and other parties to whom Grant Wood Area Education Agency 10 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.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 16, 2011

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness identified? yes no
Significant deficiencies identified 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 identified? yes no
Significant deficiencies identified not considered to be material weaknesses? yes none reported

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

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

Identification of major programs:

CFDA Numbers

84.027, 84.173, 84.391 and 84.392

84.318, 84.386

Dollar threshold used to distinguish between Type A and Type B programs:

Name of Federal Program or Cluster

Special Education Cluster

Education Technology - State Grants

\$627,712

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

There were no internal control deficiencies reported.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

There were no internal control deficiencies reported.

Part IV: Other Findings Related to Required Statutory Reporting

- 11-IV-CS-1 Certified Budget** - Total expenditures during the year ended June 30, 2011 did not exceed the amount budgeted.
- 11-IV-CS-2 Questionable Expenditures** - We noted no expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's Opinion dated April 25, 1979.
- 11-IV-CS-3 Travel Expenses** - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- 11-IV-CS-4 Business Transactions** - No business transactions between the Agency and Agency officials or employees were noted.
- 11-IV-CS-5 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.
- 11-IV-CS-6 Board Minutes** - We noted no transactions requiring Board approval which had not been approved by the Board.
- 11-IV-CS-7 Deposits and Investments** - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa.
- 11-IV-CS-8 Certified Annual Report** - The Certified Annual Report was certified timely to the Iowa Department of Education.
- 11-IV-CS-9 Categorical Funding** - No instances were noted of categorical funding used to supplant rather than supplement other funds.