

GREAT PRAIRIE AREA EDUCATION AGENCY

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

JUNE 30, 2011

GREAT PRAIRIE AREA EDUCATION AGENCY

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GREAT PRAIRIE AREA EDUCATION AGENCY

OFFICIALS

JUNE 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Directors</u>		
Harold Mick	President	2013
Joy Prothero	Vice-President	2015
John Adam	Member	2013
Vicki Stephenson	Member	2013
Peg Campbell	Member	2015
Lonny Morrow	Member	2013
Matt Greiner	Member	2015
Marge Wilhelm	Member	2015
Joyce Wauters	Member	2015
<u>Agency</u>		
Dr. Jon Sheldahl	Administrator	Annual Contract
Nancy Brown	Board Secretary	Appointed
Dennis Gourley	Business Manager and Treasurer	Appointed



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Kenneth E. Crosser, CPA
April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Great Prairie Area Education Agency

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Great Prairie Area Education Agency 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. These financial statements are the responsibility of Agency officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, the business type activities, each major fund and the aggregate remaining fund information of Great Prairie Area Education Agency at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated January 23, 2012 on our consideration of Great Prairie Area Education Agency'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 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.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 9 and 29 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Great Prairie Education Agency's basic financial statements. We previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ottumwa, Iowa
January 23, 2012

ANDERSON, LARKIN & CO. P.C.

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Management's Discussion and Analysis

This section of the Great Prairie Area Education Agency's annual financial report presents its discussion and analysis of the Agency's financial performance during the fiscal year ended June 30, 2011. The analysis focuses on the Agency's financial performance as a whole.

Please read it in conjunction with the Agency's financial statements, which immediately follow this section.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues and other financing sources decreased from \$32,231,523 in fiscal 2010 to \$27,780,892 in fiscal 2011. The decrease in General Fund revenues was primarily attributable to the American Recovery and Reinvestment Act (ARRA) local school district flowthrough proceeds that were received in fiscal year 2010.
- General fund expenditures and other financing uses decreased from \$31,324,579 in fiscal 2010 to \$27,629,017 in fiscal 2011. The decrease in expenditures was due primarily to the flowthrough of the American Recovery and Reinvestment Act (ARRA) proceeds to the local school districts in fiscal year 2010.
- The Agency's General Fund balance increased from \$4,521,710 at the end of fiscal year 2010 to \$4,673,585 at the end of fiscal year 2011, a 3.4 percent increase. The increase in fund balance was due primarily to some vacant staff positions not filled during the year.

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 Great Prairie AEA 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 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'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

- Over time, increases or decreases in the Agency's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, you need to consider additional non-financial factors such as changes in enrollments in the local school districts that the Agency serves and the condition of the Agency's office buildings.

In the Agency-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 instructional services, media services, special education support, and administration. Property taxes, state aid and federal program grants finance most of these activities.
- *Business-type activities*: The Agency charges fees to help cover the costs of certain services it provides. The Agency's cooperative purchasing program is included here.

Fund Financial Statements

The fund financial statements provide more 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 and by bond covenants. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for the Special Education Instruction and Juvenile Home funds.

The Agency has two kinds of funds:

- Governmental funds account for most of the Agency's basic services. These focus on how cash and other financial assets readily converted to cash flow in and out and the balances left at year-end 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 Funds, 3) the Debt Service Fund and 4) the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- Proprietary funds account for services for which the Agency charges a fee. Proprietary funds are reported in the same way as the government-wide statements. The Agency's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The Agency currently has one Enterprise Fund, the Cooperative Purchasing Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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. Great Prairie Area Education Agency's net assets at the end of fiscal year 2011 totaled approximately \$7.9 million compared to approximately \$7.1 million at the end of fiscal year 2010. The analysis that follows focuses on the net assets and changes in net assets.

As the table on the next page shows, the agency's combined net assets increased 11.1 percent or approximately \$786,000.

SUMMARY OF NET ASSETS
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percentage Change <u>2010-2011</u>
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	
Total Assets	13,707.2	14,775.4	47.5	47.5	13,754.7	14,822.9	7.8%
Total Liabilities	6,661.6	6,943.9	-	-	6,661.6	6,943.9	4.2%
Net Assets							
Invested in Capital Assets net of related Debt	2,371.2	2,461.4	-	-	2,371.2	2,461.4	3.8%
Nonspendable	90.0	93.6	-	-	90.0	93.6	4.0%
Restricted	318.9	556.1	-	-	318.9	556.1	74.4%
Assigned	844.2	762.9	-	-	844.2	762.9	-9.6%
Unassigned	3,421.3	3,957.5	47.5	47.5	3,468.8	4,005.0	15.5%
Total Net Assets	7,045.6	7,831.5	47.5	47.5	7,093.1	7,879.0	11.1%

The following analysis details the changes in net assets resulting from the Agency's activities.

CHANGES IN NET ASSETS FROM OPERATING RESULTS
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percentage Change <u>2010-2011</u>
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	
Program Revenues:							
Charges for services	1,076.1	990.4	9.5	1.5	1,085.6	991.9	-8.6%
Operating Grants and Contributions	18,552.7	13,321.5	-	-	18,552.7	13,321.5	-28.2%
General Revenues:							
Property taxes	6,053.2	6,144.9	-	-	6,053.2	6,144.9	1.5%
State aid	7,206.6	8,080.0	-	-	7,206.6	8,080.0	12.1%
Total revenues	32,888.6	28,536.8	9.5	1.5	32,898.3	28,538.3	-13.3%
Expenditures:							
Current:							
Instruction	1,557.5	2,000.9	-	-	1,557.5	2,000.9	28.5%
Student support services	24,250.2	20,029.5	-	-	24,250.2	20,029.5	-17.4%
Media services	1,497.5	1,546.9	-	-	1,497.5	1,546.9	3.3%
General administration	1,016.6	1,090.6	-	-	1,016.6	1,090.6	7.3%
Educational services	2,814.4	2,271.0	-	-	2,814.4	2,271.0	-19.3%
Plant operations and maintenance	316.1	338.5	-	-	316.1	338.5	7.1%
Central and other support services	341.8	397.5	-	-	341.8	397.5	16.3%
Interest on long-term debt	88.6	79.2	-	-	88.6	79.2	-10.6%
Cooperative purchasing	-	-	9.5	1.6	9.5	1.6	-83.2%
Total expenditures	31,882.7	27,754.1	9.5	1.6	31,892.2	27,755.7	-13.0%
Excess (deficiency) before special item	1,005.9	782.7	-	-(0.1)	1,005.9	782.6	-22.2%
Special Items:							
Gain (loss) on disposal of assets	(229.5)	3.2	-	-	(229.5)	3.2	-101.4%
Total Special Items	(229.5)	3.2	-	-	(229.5)	3.2	-101.4%
Increase (decrease) in net assets	776.4	785.9	-	-(0.1)	776.4	785.8	1.2%

Governmental Activities

Revenues for the Agency's governmental activities decreased 12.6 percent, and total expenses decreased 12.9 percent compared to the prior year. The decrease in revenues and expenditures was due primarily to the flowthrough of the American Recovery and Reinvestment Act (ARRA) proceeds to the local school districts received in fiscal year 2010.

Revenues for governmental activities were \$28,540,065 while expenses amounted to \$27,754,148.

- The cost of all governmental activities this year was \$27,754,148.
- The portion of the cost financed by users of the Agency's programs was \$990,413.
- The federal and state government subsidized certain programs with grants and contributions totaling \$13,321,507.
- The net cost portion of governmental activities was financed with \$6,144,927 in flowthrough property tax and \$8,079,974 in state foundation aid.

Business-Type Activities

Expenditures of the Agency's business-type activities (the Cooperative Purchasing Fund) decreased from \$9,466 in fiscal year 2010 to \$1,605 in fiscal year 2011.

INDIVIDUAL FUND ANALYSIS

As previously noted, Great Prairie AEA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the Agency as a whole is reflected in its governmental funds as well. As the Agency completed the year, its governmental funds reported combined fund balances of \$5,238,832 which was an increase from the beginning of the year's fund balances of \$4,588,852.

Governmental Fund Highlights

- The Agency's General Fund financial position increased due to some vacant positions not being filled during the year.
- The General Fund balance increased from \$4,521,710 to \$4,673,585 due primarily to some vacant positions not being filled during fiscal year 2011.

Proprietary Fund Highlights

The Co-op Fund net assets decreased \$107 from fiscal \$47,532 in fiscal 2010 to \$47,425 in fiscal 2011. As previously noted, the Agency operates a cooperative purchasing fund for the benefit of the school districts served by the Agency.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Directors annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year. The Agency's budget is prepared on the accrual basis. Over the course of the year, the Agency amended its annual budget one time to reflect adjustments to funding sources and reclassifications among expenditures. 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.

General Fund Budgetary Highlights

- The Agency's General Fund budget did not vary significantly from actual results. The financial statements include a comparison of budget and actual for the governmental and proprietary fund types. The variances between budget and actual were \$534,555 or less than 1.9% of expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal 2011, the Agency had invested \$4.57 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, materials lending library, computers and audio-visual equipment. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$819,754. Total accumulated depreciation was \$10,218,417 at June 30, 2011.

Excluding depreciation, the Agency has \$14.79 million in capital assets. Governmental funds account for the entire \$14.79 million.

Long-Term Debt

At June 30, 2011, the Agency had \$2,262,665 in long-term liabilities outstanding. This represents an increase of 8.1 percent from the beginning of the year. The increase was primarily due to the new certificates of participation issued to finance the Albia office. More detailed information about the Agency's long-term liabilities is available in Note 4 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 circumstances that could significantly affect its financial health in the future:

- The state legislature increased the reduction in state aid to all of the state's area education from \$7.5 million in Fiscal Year 2011 to \$27.5 million in Fiscal Year 2012. Great Prairie Area Education Agency's portion of this amount is \$2,232,765. The American Recovery and Reinvestment Act (ARRA) ended September 30, 2011. The ARRA funds by fiscal year are: FY 2008-2009 - \$1,250,642; FY 2009-2010 - \$7,107,168; and FY 2010-2011 - \$1,825,133.
- The Agency's student enrollment projections continue to reflect a decline. State aid funding and flowthrough property tax funding for the Agency is tied to enrollment.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens, taxpayers, customers, and 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 Dennis Gourley, Business Manager, Great Prairie Area Education Agency, 2814 North Court Street, Ottumwa, Iowa 52501-1163.

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Cash and pooled investments	\$ 7,862,873	\$ 46,034	\$ 7,908,907
Receivables:			
Accounts	450,298	-	450,298
Due from other governments	1,667,942	1,498	1,669,440
Inventories	84,527	-	84,527
Prepaid expenses	9,122	-	9,122
Net OPEB asset	131,302	-	131,302
Capital assets - Net of accumulated depreciation	<u>4,569,366</u>	<u>-</u>	<u>4,569,366</u>
TOTAL ASSETS	<u>14,775,430</u>	<u>47,532</u>	<u>14,822,962</u>
<u>LIABILITIES</u>			
Accounts payable	1,567,844	107	1,567,951
Salaries and benefits payable	3,002,307	-	3,002,307
Deferred revenue:			
Federal grants	111,114	-	111,114
Long-term liabilities:			
Portion due or payable within one year:			
Certificates of participation	425,335	-	425,335
Compensated absences	154,665	-	154,665
Portion due or payable after one year:			
Certificates of participation	<u>1,682,665</u>	<u>-</u>	<u>1,682,665</u>
TOTAL LIABILITIES	<u>6,943,930</u>	<u>107</u>	<u>6,944,037</u>
<u>NET ASSETS</u>			
Invested in capital assets - Net of related debt	2,461,366	-	2,461,366
Restricted for:			
Encumbrances	20,736	-	20,736
Debt service	500,000	-	500,000
Special education instruction	65,247	-	65,247
Unrestricted	<u>4,784,151</u>	<u>47,425</u>	<u>4,831,576</u>
TOTAL NET ASSETS	\$ <u>7,831,500</u>	\$ <u>47,425</u>	\$ <u>7,878,925</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, and Contributions</u>
<u>FUNCTIONS/PROGRAMS:</u>			
Governmental activities:			
Instruction	\$ 2,000,915	\$ 990,413	\$ 450,681
Student support services	20,029,504	2,328,210	20,342,198
Media services	1,546,855	1,819,322	220,249
General administration	1,090,637	-	-
Educational services	2,270,981	1,997,395	388,353
Plant operations and maintenance	338,477	-	-
Central and other support services	397,542	-	-
Interest on long-term debt	79,237	-	-
Total governmental activities	<u>27,754,148</u>	<u>7,135,340</u>	<u>21,401,481</u>
Business type activities:			
Non-instructional programs:			
Cooperative purchasing	<u>1,605</u>	<u>1,498</u>	<u>-</u>
Total	<u>\$ 27,755,753</u>	<u>\$ 7,136,838</u>	<u>\$ 21,401,481</u>

GENERAL REVENUES:

Gain on disposal of capital assets

Change in net assets

Net assets beginning of year

Net assets end of year

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (559,821)	\$ -	\$ (559,821)
2,640,904	-	2,640,904
492,716	-	492,716
(1,090,637)	-	(1,090,637)
114,767	-	114,767
(338,477)	-	(338,477)
(397,542)	-	(397,542)
(79,237)	-	(79,237)
<u>782,673</u>	<u>-</u>	<u>782,673</u>
<u>-</u>	<u>(107)</u>	<u>(107)</u>
<u>782,673</u>	<u>-</u>	<u>782,566</u>
<u>3,244</u>	<u>-</u>	<u>3,244</u>
785,917	(107)	785,810
<u>7,045,583</u>	<u>47,532</u>	<u>7,093,115</u>
<u>\$ 7,831,500</u>	<u>\$ 47,425</u>	<u>\$ 7,878,925</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and pooled investments	\$ 7,271,530	\$ 665,728	\$ 7,937,258
Receivables:			
Accounts	255,956	194,342	450,298
Due from other governments	1,667,942	-	1,667,942
Inventories	84,527	-	84,527
Prepaid expenses	-	9,122	9,122
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>9,279,955</u>	\$ <u>869,192</u>	\$ <u>10,149,147</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 1,468,911	\$ 98,933	\$ 1,567,844
Cash overdraft	-	74,385	74,385
Salaries and benefits payable	2,874,208	128,099	3,002,307
Compensated absences	154,665	-	154,665
Deferred revenue:			
Federal grants	108,586	2,528	111,114
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	\$ <u>4,606,370</u>	\$ <u>303,945</u>	\$ <u>4,910,315</u>
Fund balances:			
Nonspendables			
Inventories	84,527	-	84,527
Prepaid expenses	-	9,122	9,122
Restricted for:			
Debt service	-	490,878	490,878
Special education instruction	-	65,247	65,247
Assigned:			
Encumbrances	20,736	-	20,736
Carpet	120,750	-	120,750
Albia office	50,000	-	50,000
Media resources	219,102	-	219,102
Categorical funding	38,350	-	38,350
Burlington roof	98,000	-	98,000
Alley replacement	90,000	-	90,000
Rooftop units	126,000	-	126,000
Undesignated	3,826,120	-	3,826,120
Total fund balances	<u>4,673,585</u>	<u>565,247</u>	<u>5,238,832</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>9,279,955</u>	\$ <u>869,192</u>	\$ <u>10,149,147</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS

JUNE 30, 2011

<u>TOTAL GOVERNMENTAL FUND BALANCES</u>	\$ 5,238,832
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$14,787,783 and the accumulated depreciation is \$10,218,417.	4,569,366
Other long-term assets are not available to pay current period expenditures and, therefore, are not recorded in the governmental funds.	131,302
Long-term liabilities, including certificates of participation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(2,108,000)</u>
<u>NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	\$ <u>7,831,500</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Revenues:			
Local sources	\$ 6,816,089	\$ 317,751	\$ 7,133,840
State sources	9,208,402	450,682	9,659,084
Federal sources	<u>11,743,897</u>	-	<u>11,743,897</u>
Total revenues	<u>27,768,388</u>	<u>768,433</u>	<u>28,536,821</u>
Expenditures:			
Current:			
Instruction	-	761,559	761,559
Student support services	19,911,931	-	19,911,931
Media services	1,830,424	-	1,830,424
General administration	1,102,982	-	1,102,982
Educational services	3,147,885	-	3,147,885
Plant operations and maintenance	333,459	-	333,459
Central and other support services	397,659	-	397,659
Debt service	-	539,237	539,237
Facilities acquisition	-	<u>515,705</u>	<u>515,705</u>
Total expenditures	<u>26,724,340</u>	<u>1,816,501</u>	<u>28,540,841</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,044,048</u>	<u>(1,048,068)</u>	<u>(4,020)</u>
Other financing sources (uses):			
Sale of capital assets	4,000	-	4,000
Proceeds from capital lease	-	650,000	650,000
Transfers in	8,504	1,554,677	1,563,181
Transfers out	<u>(904,677)</u>	<u>(658,504)</u>	<u>(1,563,181)</u>
Total other financing sources (uses)	<u>(892,173)</u>	<u>1,546,173</u>	<u>654,000</u>
Excess of revenues and other financing sources over expenditures and other financing uses	151,875	498,105	649,980
Fund balances beginning of year	<u>4,521,710</u>	<u>67,142</u>	<u>4,588,852</u>
Fund balances end of year	\$ <u>4,673,585</u>	\$ <u>565,247</u>	\$ <u>5,238,832</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

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 \$ 649,980

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 expenses to allocate those expenditures over the estimated useful lives of the assets. Governmental funds report the selling price of capital assets disposed while governmental activities report gains and losses on the disposal of capital assets. Capital expenditures exceeded depreciation expense and loss on disposal of capital assets in the current year, as follows:

Expenditures for capital assets	\$ 1,100,643	
Depreciation expense	(819,754)	
Loss on disposal of capital assets	<u>(756)</u>	280,133

Repayment of long-term liabilities is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets. Proceeds from long term liabilities is a revenue in the governmental funds but increases long term liabilities in the Statement of Net Assets:

Payments		460,000
Proceeds		<u>(650,000)</u>

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, as follows:

Other postemployment benefits		<u>45,804</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 785,917

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

Cooperative
PurchasingASSETS:

Current assets:

Cash and cash equivalents
 Due from other governments
 Total assets

\$ 46,034
 1,498
47,532

LIABILITIES:

Accounts payable

107

NET ASSETS:

Unrestricted

\$ 47,425

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2011

	<u>Cooperative Purchasing</u>
<u>Operating revenues:</u>	
Charges for service	\$ <u>1,498</u>
<u>Operating expenses:</u>	
Non-instructional programs:	
Purchased services	1,271
Supplies and materials	<u>334</u>
Total operating expenses	1,605
CHANGE IN NET ASSETS	(107)
Net assets beginning of year	<u>47,532</u>
Net assets end of year	\$ <u>47,425</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

Cooperative
Purchasing

Cash flows from operating activities:	
Cash received from customers	\$ 942
Cash paid to suppliers	<u>(1,498)</u>
Net cash used in operating activities	(556)
Cash and cash equivalents beginning of year	<u>46,590</u>
Cash and cash equivalents end of year	\$ <u>46,034</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (107)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in due from other governments	(556)
Increase in accounts payable	<u>107</u>
Net cash used in operating activities	\$ <u>(556)</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Great Prairie Area Education Agency is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 40 school districts and private schools in a fourteen-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Great Prairie Area Education Agency 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 fourth 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. Great Prairie Area Education 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 of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable 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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 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 as general revenues.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as 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 revenues 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.

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of 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.

The proprietary fund of the Agency applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency's Enterprise Fund is charges to customers for services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Fund Equity

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

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair 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 one year.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 300
Buildings	300
Improvements other than buildings	300
Intangibles	300
Furniture and equipment	300
Library books and films	300

Capital assets of the Agency are depreciated/amortized using the straight line method of depreciation/amortization over the following estimated useful lives:

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

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

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

GREAT PRAIRIE AREA EDUCATION AGENCY

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 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 Liabilities – 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 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, 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.

NOTE 2: CASH AND POOLED 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.

The Agency had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$5,856 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 (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

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

GREAT PRAIRIE AREA EDUCATION AGENCY

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>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 334,332	\$ 13,428	\$ -	\$ 347,760
Capital assets being depreciated/amortized:				
Buildings	2,729,597	106,572	-	2,836,169
Improvements other than buildings	2,144,775	395,705	-	2,540,480
Furniture and equipment	5,801,872	379,748	86,264	6,095,356
Library books and films	<u>2,891,278</u>	<u>205,190</u>	<u>128,450</u>	<u>2,968,018</u>
Total capital assets being depreciated/amortized	<u>13,567,522</u>	<u>1,087,215</u>	<u>214,714</u>	<u>14,440,023</u>
Less accumulated depreciation/ amortization for:				
Buildings	759,256	54,591	-	813,847
Improvements other than buildings	1,367,586	107,239	-	1,474,825
Furniture and equipment	5,035,183	415,745	80,950	5,369,978
Library books and films	<u>2,450,596</u>	<u>242,179</u>	<u>133,008</u>	<u>2,559,767</u>
Total accumulated depreciation/ amortization	<u>9,612,621</u>	<u>819,754</u>	<u>213,958</u>	<u>10,218,417</u>
Total capital assets being depreciated/ amortized, net	<u>3,954,901</u>	<u>267,461</u>	<u>756</u>	<u>4,221,606</u>
Governmental activities capital assets, net	\$ <u>4,289,233</u>	\$ <u>280,889</u>	\$ <u>756</u>	\$ <u>4,569,366</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Student support services	\$ 424,879
Media services and instruction	307,900
General administration	17,871
Educational services	57,382
Plant operations and maintenance	5,574
Central and other support services	<u>6,148</u>
Total depreciation/amortization expense - Governmental activities	\$ <u>819,754</u>

Buildings within governmental activities includes \$2,439,972 acquired under capital leases.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4: 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	\$ 1,918,000	\$ 650,000	\$ 460,000	\$ 2,108,000	\$ 425,335
Compensated absences	<u>174,589</u>	<u>154,665</u>	<u>174,589</u>	<u>154,665</u>	<u>154,665</u>
Total	\$ <u>2,092,589</u>	\$ <u>804,665</u>	\$ <u>634,589</u>	\$ <u>2,262,665</u>	\$ <u>580,000</u>

Certificates of Participation

The Agency sold certificates of participation for land and facilities for a total of \$5,650,000. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over a period of 20 years with interest rates ranging from 3.25% to 4.08%. The following is a schedule by year of the future minimum payments required:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 425,335	\$ 76,540	\$ 501,875
2013	443,480	60,897	504,377
2014	289,729	45,860	335,589
2015	275,085	35,484	310,569
2016	279,371	23,460	302,831
Thereafter	<u>395,000</u>	<u>24,276</u>	<u>419,276</u>
Total	\$ <u>2,108,000</u>	\$ <u>266,517</u>	\$ <u>2,374,517</u>

Payments on the certificates of participation for the year ended June 30, 2011, including interest, totaled \$535,142.

NOTE 5: 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 4.50% of their annual covered salary and the Agency is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$1,100,630, \$1,059,819 and \$972,071, respectively, equal to the required contributions for each year.

NOTE 6: RISK MANAGEMENT

Great Prairie Area Education 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.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 7: MAJOR REVENUE SOURCE

The Agency receives the majority of its funding from grants with the State of Iowa and the Federal government. The majority of the Agency's funding is accomplished through a reimbursement system. The Agency incurs expense, pays for the expense, submits a reimbursement voucher to the appropriate agency and is reimbursed for the expense.

NOTE 8: OPERATING LEASES

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

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.

Year Ending June 30,		
2012	\$	47,796
2013		36,783
2014		<u>7,800</u>
Total	\$	<u>92,379</u>

The 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, were \$112,960.

NOTE 9: LITIGATION

The Agency is, from time to time, involved in lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the Agency's results of operations.

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The Agency operates a single-employer retiree benefit plan which provides medical benefits for retirees and, if elected, their spouses. There are 159 active and 45 retired members in the plan.

The medical coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical 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 which, 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.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (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 (asset):

Annual required contribution	\$	110,225
Interest on net OPEB obligation		(2,565)
Adjustment to annual required contribution		<u>1,374</u>
Annual OPEB cost		109,034
Contributions made		<u>(154,838)</u>
Decrease in net OPEB cost		(45,804)
Net OPEB asset beginning of year		<u>(85,498)</u>
Net OPEB asset end of year	\$	<u>(131,302)</u>

For calculation of the net OPEB asset, 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, plan members eligible for benefits contributed \$154,838 or 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 asset are summarized as follows:

<u>Year</u> <u>Ended June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Asset</u>
2009	\$ 119,209	134.1%	\$ (40,697)
2010	\$ 118,642	137.8%	\$ (85,498)
2011	\$ 109,034	142.0%	\$ (131,302)

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 \$1,353,485 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,353,485. The covered payroll (annual payroll of active employees covered by the plan) was \$16,806,809 and the ratio of the UAAL to covered payroll was 8.05%. 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 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 Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques 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.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

As of the July 1, 2010 actuarial valuation date, the projected unit credit and the entry age normal actuarial cost methods were used. The actuarial assumptions include a 3% discount rate based on the Agency's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1.0 % each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Rates for Male and Female, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from recent Great Prairie AEA School District experience and applying the termination factors based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan are \$847 per month. The UAAL is being amortized as a level dollar amount over a maximum of 30 years.

NOTE 11: 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>		
General	Special Revenue Funds: Special Education Instruction	\$	<u>8,504</u>
Capital Projects	General		<u>515,705</u>
Debt Service	General		388,972
	Capital Projects		<u>650,000</u>
			<u>1,038,972</u>
		\$	<u>1,563,181</u>

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

NOTE 12: EVALUATION OF SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through January 23, 2012, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES
IN BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>	Total <u>Actual</u>
Revenues:			
Local sources	\$ 7,133,840	\$ 1,498	\$ 7,135,338
State sources	9,659,084	-	9,659,084
Federal sources	11,743,897	-	11,743,897
Total revenues	<u>28,536,821</u>	<u>1,498</u>	<u>28,538,319</u>
Expenditures/Expenses:			
Current:			
Instruction	761,559	-	761,559
Student support services	19,911,931	-	19,911,931
Media services	1,830,424	-	1,830,424
General administration	1,102,982	-	1,102,982
Educational services	3,147,885	-	3,147,885
Plant operations and maintenance	333,459	-	333,459
Central and other support services	397,659	-	397,659
Non instructional programs	-	1,605	1,605
Debt service	539,237	-	539,237
Facilities Acquisition	515,705	-	515,705
Total expenditures/expenses	<u>28,540,841</u>	<u>1,605</u>	<u>28,542,446</u>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(4,020)	(107)	(4,127)
Other financing sources (net)	<u>654,000</u>	<u>-</u>	<u>654,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>649,980</u>	<u>(107)</u>	<u>649,873</u>
Balance beginning of year	<u>4,588,852</u>	<u>47,532</u>	<u>4,636,384</u>
Balance end of year	<u>\$ 5,238,832</u>	<u>\$ 47,425</u>	<u>\$ 5,286,257</u>

Budget		Final to Actual Variance
Original	Final	
\$ 7,756,148	\$ 7,712,118	\$ (576,780)
9,934,045	9,656,540	2,544
<u>13,125,352</u>	<u>11,569,161</u>	<u>174,736</u>
<u>30,815,545</u>	<u>28,937,819</u>	<u>(399,500)</u>
699,455	765,338	3,779
23,535,254	20,423,796	511,865
1,795,217	1,922,481	92,057
1,077,928	1,095,314	(7,668)
2,945,143	3,121,332	(26,553)
366,702	372,550	39,091
445,934	388,138	(9,521)
500,000	500,000	498,395
-	600,000	84,295
<u>31,365,633</u>	<u>29,188,949</u>	<u>1,032,950</u>
(550,088)	(251,130)	633,450
<u>(30)</u>	<u>598,970</u>	<u>55,030</u>
(936,565)	(38,607)	688,480
<u>4,238,158</u>	<u>4,636,385</u>	<u>(1)</u>
\$ <u>3,301,593</u>	\$ <u>4,597,778</u>	\$ <u>688,479</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2011

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

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

For the year ended June 30, 2011, the Agency's expenditures/expenses did not exceed the approved budget.

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended <u>June 30,</u>	Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
2009	July 1, 2008	\$ <u>-</u>	\$ <u>1,540,114</u>	\$ <u>1,540,114</u>	0.00%	\$ <u>10,369,470</u>	14.85%
2010	July 1, 2009	\$ <u>-</u>	\$ <u>1,540,114</u>	\$ <u>1,540,114</u>	0.00%	\$ <u>16,530,866</u>	9.32%
2011	July 1, 2010	\$ <u>-</u>	\$ <u>1,353,485</u>	\$ <u>1,353,485</u>	0.00%	\$ <u>16,806,809</u>	8.05%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Asset, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

GREAT PRAIRIE AREA EDUCATION AGENCY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>Special Revenue</u>				
	<u>Special Education Instruction</u>	<u>Juvenile Home Education</u>			
<u>ASSETS</u>					
Cash and pooled investments	\$ -	\$ 79,453	\$ 490,878	\$ 95,397	\$ 665,728
Accounts receivable	194,342	-	-	-	194,342
Prepays	-	-	9,122	-	9,122
	<u>-</u>	<u>-</u>	<u>9,122</u>	<u>-</u>	<u>9,122</u>
TOTAL ASSETS	\$ <u>194,342</u>	\$ <u>79,453</u>	\$ <u>500,000</u>	\$ <u>95,397</u>	\$ <u>869,192</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 1,670	\$ 1,866	\$ -	\$ 95,397	\$ 98,933
Cash overdraft	74,385	-	-	-	74,385
Salaries and benefits payable	53,040	75,059	-	-	128,099
Deferred revenue:					
Federal grants	-	2,528	-	-	2,528
Total liabilities	<u>129,095</u>	<u>79,453</u>	<u>-</u>	<u>95,397</u>	<u>303,945</u>
Fund balances:					
Nonspendable:					
Prepaid expenses	-	-	9,122	-	9,122
Restricted for:					
Other purposes	<u>65,247</u>	<u>-</u>	<u>490,878</u>	<u>-</u>	<u>556,125</u>
Total fund balances	<u>65,247</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>565,247</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>194,342</u>	\$ <u>79,453</u>	\$ <u>500,000</u>	\$ <u>95,397</u>	\$ <u>869,192</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Special Revenue</u>		<u>Debt</u>	<u>Capital</u>	<u>Total</u>
	<u>Special</u>	<u>Juvenile</u>			
	<u>Education</u>	<u>Home</u>	<u>Service</u>	<u>Projects</u>	
	<u>Instruction</u>	<u>Education</u>			
Revenues:					
Local sources	\$ 317,751	\$ -	\$ -	\$ -	\$ 317,751
State sources	30,117	420,565	-	-	450,682
Total revenues	<u>347,868</u>	<u>420,565</u>	<u>-</u>	<u>-</u>	<u>768,433</u>
Expenditures:					
Current:					
Instruction	340,994	420,565	-	-	761,559
Debt service	-	-	539,237	-	539,237
Facilities acquisition	-	-	-	515,705	515,705
Total expenditures	<u>340,994</u>	<u>420,565</u>	<u>539,237</u>	<u>515,705</u>	<u>1,816,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,874</u>	<u>-</u>	<u>(539,237)</u>	<u>(515,705)</u>	<u>(1,048,068)</u>
Other financing sources (uses):					
Proceeds from capital lease	-	-	-	650,000	650,000
Transfers in	-	-	1,038,972	515,705	1,554,677
Transfers out	<u>(8,504)</u>	<u>-</u>	<u>-</u>	<u>(650,000)</u>	<u>(658,504)</u>
Total other financing sources (uses)	<u>(8,504)</u>	<u>-</u>	<u>1,038,972</u>	<u>515,705</u>	<u>1,546,173</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,630)</u>	<u>-</u>	<u>499,735</u>	<u>-</u>	<u>498,105</u>
Fund balances beginning of year	<u>66,877</u>	<u>-</u>	<u>265</u>	<u>-</u>	<u>67,142</u>
Fund balances end of year	<u>\$ 65,247</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 565,247</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Year Ended June 30,			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues:				
Local sources	\$ 7,133,840	\$ 7,131,224	\$ 7,066,266	\$ 7,215,058
State sources	9,659,084	8,706,614	9,540,916	8,848,117
Federal sources	<u>11,743,897</u>	<u>17,052,704</u>	<u>10,961,195</u>	<u>9,959,860</u>
Total	\$ <u>28,536,821</u>	\$ <u>32,890,542</u>	\$ <u>27,568,377</u>	\$ <u>26,023,035</u>
Expenditures:				
Current:				
Instruction	\$ 761,559	\$ 659,681	\$ 658,425	\$ 714,252
Student support services	19,911,931	24,135,151	20,431,684	18,738,308
Media services	1,830,424	1,850,802	1,887,759	1,839,742
General administration	1,102,982	1,012,589	1,041,633	1,077,202
Educational services	3,147,885	3,279,222	2,565,832	2,356,146
Plant operations and maintenance	333,459	316,868	330,574	339,082
Central and other support services	397,659	346,287	390,100	368,189
Debt service	539,237	383,660	372,108	607,189
Facilities Acquisition	<u>515,705</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>28,540,841</u>	\$ <u>31,984,260</u>	\$ <u>27,678,115</u>	\$ <u>26,040,805</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

<u>Project Title</u>	<u>CFDA</u>	<u>Pass-through</u>	
<u>Indirect:</u>	<u>Number</u>	<u>Grantor's</u>	<u>Expenditures</u>
		<u>Number</u>	
U.S. Department of Education:			
Iowa Department of Education:			
Handicapped Preschool Program	84.027	101115	\$ 6,827,585
Handicapped Preschool Program (Lea Flowthrough)	84.027	101115	2,031,417
Parent Educator	84.027	07415	97,304
Speech Language Recruitment	84.027	045511/070611	9,000
Transition Grant	84.027	SPDG-15	33,818
			<u>8,999,124</u>
Section 619 Ages 3-5	84.173	11619-15	295,156
			<u>9,294,280</u>
Part C Infants and Toddlers	84.181	C10-15	<u>245,370</u>
Eisenhower Math/Science Block Grant	84.281A	--	<u>18,597</u>
E2T2	84.318	--	<u>182,900</u>
Reading First	84.357	--	<u>2,395</u>
Title III ELL/LEP	84.365	ELA 10-030	<u>121,058</u>
Ed Tech State Grants	84.386	--	<u>3,804</u>
ARRA - Part B Stimulus Recovery	84.391A	RKB1-15	<u>1,482,703</u>
ARRA - Section 619 Stimulus Recovery	84.392A	RKC3-15	<u>160,137</u>
ARRA - Part C Stimulus Recovery	84.393A	RKC3-15	<u>174,380</u>
ARRA - Iowa Core Curriculum	99.999	--	<u>7,913</u>
Mental Health Screening	93.243	5881SM03	<u>32,142</u>
Total			\$ <u>11,725,679</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

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 Great Prairie Area Education Agency and is presented on the modified accrual basis. 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.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Great Prairie Area Education Agency

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Great Prairie Area Education Agency 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 January 23, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Great Prairie Area Education Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing our opinion on the effectiveness of Great Prairie Area Education Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Great Prairie Area Education 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

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 a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis. We found no deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 11-II-A to be a significant deficiency.

Compliance and Other Matters

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

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

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Great Prairie Area Education Agency 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.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
January 23, 2012



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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 EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Great Prairie Area Education Agency

Compliance

We have audited Great Prairie Area Education Agency'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 its major federal programs for the year ended June 30, 2011. Great Prairie Area Education Agency'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 Great Prairie Area Education Agency's management. Our responsibility is to express an opinion on Great Prairie Area Education Agency's compliance based on our audit.

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

In our opinion, Great Prairie Area Education Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Great Prairie Area Education Agency 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 Great Prairie Area Education Agency'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 A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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.

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A deficiency in an 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected on a timely basis. We found no deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs that we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Great Prairie Area Education Agency'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 the Agency's responses, we did not audit Great Prairie Area Education Agency's responses and, accordingly, we express no opinion on them.

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

ANDERSON, LARKIN & CO. P.C.

A handwritten signature in black ink that reads "Anderson, Larkin + Co. P.C." in a cursive, flowing script.

Ottumwa, Iowa
January 23, 2012

GREAT PRAIRIE AREA EDUCATION AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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

- a. Unqualified opinions were issued on the financial statements.
- b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. Major programs were as follows:
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.173 – Special Education – Preschool Grants
 - CFDA Number 84.181 – Special Education – Part C Infants and Toddlers
 - CFDA Number 84.391A – Special Education – Grants to States Recovery
 - CFDA Number 84.392A – Special Education – Preschool Grants Recovery
 - CFDA Number 84.393A – Special Education – Part C Stimulus Recovery
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Great Prairie Area Education Agency qualifies as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Significant Deficiencies:

- 11-II-A Payroll Disbursements – Certain Agency employees are paid twice monthly, on the 10th and the 25th. These Agency employees are paid for days they have not yet worked. Payments for time not yet worked could lead to a loss by the Agency and is not good business practice.

Recommendation – The Agency should examine their policies in this area and consider changing this policy.

Response – The Board will look into this matter.

Conclusion – Response accepted.

Instances of Non-compliance – No matters were noted.

GREAT PRAIRIE AREA EDUCATION AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

Significant Deficiencies – No matters were noted.

Instances of Non-compliance – No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

- 11-IV-A Certified Budget – Expenditures during the year ended June 30, 2011 did not exceed the amounts budgeted.
- 11-IV-B Questionable Expenditures – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 11-IV-C Travel Expense – No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- 11-IV-D Business Transactions – No business transactions between Great Prairie Area Education Agency and Agency officials or employees were noted.
- 11-IV-E Bond Coverage – Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 11-IV-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 11-IV-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.
- 11-IV-H Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- 11-IV-I Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

