

**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, 2014**

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Officials

Name	Title	Term Expires
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Board of Directors

(Before September, 2013)

James C. Green	President	September 30, 2015
Dr. Lynne Cannon	Vice President	September 30, 2015
Sue Gates	Member	September 30, 2017
Morris Greenfield	Member	September 30, 2017
Marlene L. Hill	Member	September 30, 2015
Pamela Jacobs	Member	September 30, 2017
Mary Meisterling	Member	September 30, 2015
Robert Schneider	Member	September 30, 2015
Marilyn Wirtz	Member	September 30, 2017

(After September, 2013)

James C. Green	President	September 30, 2015
Dr. Lynne Cannon	Vice President	September 30, 2015
Sue Gates	Member	September 30, 2017
Randy Bauer	Member	September 30, 2017
Marlene L. Hill	Member	September 30, 2015
Pamela Jacobs	Member	September 30, 2017
Mary Meisterling	Member	September 30, 2015
Robert Schneider	Member	September 30, 2015
Marilyn Wirtz	Member	September 30, 2017

Agency

Joe Crozier	Chief Administrator	Indefinite
Kim Martin	Board Secretary	Indefinite
Barbara Harms	Board Treasurer/Business Manager	Indefinite

Independent Auditor's Report

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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 as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 4 through 9 and 28 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grant Wood Area Education Agency 10's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2013 (which are not presented herein) and expressed an unmodified opinion on those financial statements. The financial statements for the six years ended June 30, 2004 (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 unmodified opinions on those financial statements. The supplementary information on pages 30 through 34, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2014 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 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.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
November 18, 2014

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, 2014. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenue increased from \$47,618,903 in fiscal year 2013 (FY13) to \$49,737,726 in fiscal year 2014 (FY14), an increase of \$2,118,823. General Fund expenditures increased from \$47,684,009 in FY13 to \$50,665,065 in FY14, an increase of \$2,981,056. General Fund net decrease in fund balance increased from (\$65,106) in FY13 to (\$876,400) in FY14. This resulted in a decrease in the Agency's General Fund fund balance from \$13,647,302 in FY13 to \$12,770,902 in FY14.
- The increase in General Fund expenditures was primarily in Instructional Staff Support Services (\$2.6 million) and includes upgrades in our science kit curriculum, as well as increased support for professional development opportunities and expansion of the mentoring consortium. Some of the additional costs were offset by increases in both state formula and categorical revenue (\$1.3 million) and local sale of service revenue (\$1.4 million). Federal revenue decreased approximately \$560,000.

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 position 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.
- 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 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 position 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 position and how they have changed. Net position – 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 position 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 tax 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 and (b) the Special Revenue Funds.

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

2. Fiduciary funds are funds through which the Agency administers and accounts for certain federal and/or state grants as a fiscal agent.

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 statement for fiduciary funds includes a statement of fiduciary assets and liabilities.

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 position may serve over time as a useful indicator of financial position. Grant Wood Area Education Agency 10's net position as of the end of FY14 totaled approximately \$18.1 million. This compared to approximately \$19.4 million as of the end of FY13. The analysis that follows provides a summary of the Agency's net position as of June 30, 2014. The Agency does not have business-type activities.

	<u>Condensed Statement of Net Position</u>	
	<u>Governmental Activities</u>	
	<u>June 30,</u>	
	2014	2013
Current and other assets.....	\$ 17,328,607	\$ 19,152,260
Capital assets	5,907,829	6,101,566
Total Assets	<u>23,236,436</u>	<u>25,253,826</u>
Long-term obligations	767,440	532,333
Other liabilities	4,392,983	5,331,137
Total Liabilities	<u>5,160,423</u>	<u>5,863,470</u>
Net Position		
Net investment in capital assets.....	5,907,829	6,101,566
Restricted.....	457,451	562,795
Unrestricted	<u>11,710,733</u>	<u>12,725,995</u>
Total Net Position	<u>\$ 18,076,013</u>	<u>\$ 19,390,356</u>

The Agency's net position decreased by 6.8%, or \$1,314,343, during FY14 primarily due to a net decrease in cash and receivable balances of over \$2,000,000, which was offset by a decrease in liabilities of over \$700,000. The decrease in cash balance was planned spending to reduce the overall fund balance level. Liabilities decreased primarily in accounts payable.

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

	Changes in Net Position	
	Governmental Activities	
	June 30,	
	2014	2013
Revenue		
Program Revenue		
Charges for service	\$ 7,655,644	\$ 6,602,776
Operating grants and contributions	19,437,928	19,657,446
General Revenue		
Property tax	11,894,880	11,611,635
State foundation aid	13,046,087	12,038,435
Unrestricted investment earnings	19,304	23,950
Loss on disposal of assets	(906)	—
Total Revenue	<u>52,052,937</u>	<u>49,934,242</u>
Program Expenses		
Instruction	3,205,892	3,211,135
Student support services	21,592,004	21,497,230
Instructional staff support services	17,272,910	14,316,336
General administration	1,994,715	1,905,632
Building administration	2,497,155	2,483,935
Business and central administration	3,767,819	4,012,819
Purchasing, distributing, printing, publishing and duplicating	1,114,349	688,180
Plant operations and maintenance	1,060,346	1,175,353
Central and other support services	4,921	5,839
Unallocated depreciation	154,548	155,809
Noninstructional programs	702,621	692,113
Total Expenses	<u>53,367,280</u>	<u>50,144,381</u>
Change in Net Position	(1,314,343)	(210,139)
Net Position - Beginning of Year	<u>19,390,356</u>	<u>19,600,495</u>
Net Position - End of Year	<u>\$ 18,076,013</u>	<u>\$ 19,390,356</u>

Property tax and state foundation aid account for 47.9% of the total revenue while operating grants and contributions from local, state and federal sources account for 52.1% of the total revenue. The Agency's expenses primarily relate to student and instructional staff support services, which account for 72.8% of total expenses.

The increase in total revenue is due to an increase in local charges for services of approximately \$1,000,000 in programs including printing services, mentoring consortium, student information system and the science kit curriculum program. There was also an increase of over \$1,000,000 in state foundation aid. The increase in total expenses is due primarily to increases in instructional staff support services of nearly \$3,000,000, which included additional staff to support Agency literacy goals, upgrades in our science kit curriculum and expansion of our mentoring consortium services. There were also increases in categorical programs that were offset by additional state or federal funding, as well as an increase in printing supplies of over \$400,000 that was driven by printing orders for statewide projects.

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 \$12,935,624, which is a decrease from the beginning of the year fund balances of \$13,890,590.

The decrease was due to current expenditures levels exceeding revenue, which was an intentional plan by the Agency to reduce fund balance levels and maximize the service provided to local school districts.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Agency amended its budget once to reflect increases in local and federal grant revenue and to adjust expenditures based on increased staffing levels, compensation settlements and categorical program increases.

The Agency's total revenue was \$604,898 more than total budgeted revenue, a variance of 1.2%. Total expenditures were \$748,331 more than budgeted, a variance of 1.4%.

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

As of June 30, 2014, the Agency had invested \$5,907,829, net of accumulated depreciation/amortization, 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 \$193,737 from the beginning of the year and is due to the allowance for depreciation exceeding the amount spent for new assets.

Grant Wood Area Education Agency 10 reported depreciation/amortization expense of \$1,095,807 in FY14 and total accumulated depreciation/amortization of \$11,324,627 as of June 30, 2014. More detailed information about capital assets is available in Note 3 to the financial statements.

Long-Term Liabilities

As of June 30, 2014, the Agency had \$767,440 in long-term liabilities outstanding compared to \$601,800 as of June 30, 2013. The long-term liabilities are in the form of compensated absences and the OPEB liability. 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 economy, state and federal funding levels continue to be an area of concern. Growth in state aid to schools and AEAs has been at historic lows. The Agency received allowable growth of 0% for FY12, 2% for FY13, 2% for FY14 and 4% for FY15. The legislature did not set the funding level for FY16 in the 2015 session, so that is a critical unknown heading into budget planning. The statewide AEA system also received a targeted \$15 million reduction for both FY14 and FY15, which equates to a funding cut of \$1,943,069 for the Agency. Federal funding reductions are also possible pending action on deficit reduction. The Agency plans to utilize available fund balance and staff attrition to offset the impact of state and federal funding cuts.
- Future enrollment stability is a critical element in maintaining a sound financial foundation. The Agency has been fortunate to have overall increasing enrollment in our service area, unlike many other AEAs in Iowa. Enrollment counts for 2010 through 2014 reflect modest increases (0.03%, 0.11%, 0.67%, 1.4% and 0.61%, respectively).
- In past years, growth in employee wages related to salary schedule movement and increased benefit costs have outpaced 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), the Agency had no increases in health insurance premiums. Medical claims expenses have been trending upward though, and despite adjustments in plan design, premiums increased by 4% for FY12, 2.4% for FY13, 3.5% for FY14 and 7.4% for FY15. Preliminary rates for FY16 are not yet known, but are anticipated to increase between 5% and 10%. The federal Affordable Care Act will continue to have a significant impact on overall health insurance costs and compliance requirements.
- The Agency has been reviewing facility needs for several years and has approved a Lease Agreement with Kirkwood Community College to be a partner in the Johnson County Regional Center that is currently under construction. As of June 30, 2014, the Agency committed \$2,500,000 of General Fund balance for the estimated cost of our portion of the building and an additional \$256,900 for furnishings and equipment. Construction is progressing and occupancy is planned for August, 2015. This project and other building maintenance issues require careful planning and forecasting since AEAs have no funding sources outside of the General Fund for capital expenditures.

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 Position

As of June 30, 2014

Assets

Cash and pooled investments	\$ 10,949,631
Receivables	
Accounts.....	38,006
Due from other governments	6,041,264
Inventories.....	51,516
Prepaid expenses.....	248,190
Capital assets, net of accumulated depreciation/amortization.....	<u>5,907,829</u>

Total Assets **\$ 23,236,436**

Liabilities

Accounts payable	\$ 1,036,743
Due to other governments	44,508
Salaries and benefits payable.....	2,983,693
Accrued liabilities.....	328,039
Long-Term Liabilities	
Portion Due or Payable Within One Year	
Compensated absences	86,226
Portion Due or Payable After One Year	
Net OPEB liability	<u>681,214</u>
Total Liabilities	<u>5,160,423</u>

Net Position

Net investment in capital assets	5,907,829
Restricted for	
Special education	422,094
Off-site programs.....	35,357
Unrestricted	<u>11,710,733</u>
Total Net Position	<u>18,076,013</u>

Total Liabilities and Net Position **\$ 23,236,436**

Statement of Activities

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue		Net Revenue, (Expenses) and Changes in Net Position Governmental Activities
		Charges for Service	Operating Grants and Contributions	
Governmental Activities				
Regular instruction.....	\$ 3,205,892	\$ 1,894,484	\$ 2,521,947	\$ 1,210,539
Student support services	21,592,004	64,188	14,098,901	(7,428,915)
Instructional staff support services	17,272,910	3,085,689	2,186,725	(12,000,496)
General administration	1,994,715	60,553	—	(1,934,162)
Building administration	2,497,155	—	—	(2,497,155)
Business and central administration	3,767,819	1,840,432	422,267	(1,505,120)
Purchasing, distributing, printing, publishing and duplicating	1,114,349	568,825	—	(545,524)
Plant operations and maintenance	1,060,346	1,680	51,059	(1,007,607)
Central and other support services	4,921	—	—	(4,921)
Unallocated depreciation*.....	154,548	—	—	(154,548)
Noninstructional programs.....	702,621	139,793	157,029	(405,799)
Total Governmental Activities	\$ 53,367,280	\$ 7,655,644	\$ 19,437,928	(26,273,708)
General Revenue (Expense)				
Property tax levied for general purposes				11,894,880
State foundation aid.....				13,046,087
Unrestricted investment earnings				19,304
Loss on disposal of assets.....				(906)
Total General Revenue				24,959,365
Change in Net Position				(1,314,343)
Net Position - Beginning of Year...				19,390,356
Net Position - End of Year.....				\$ 18,076,013

* This amount does not include depreciation that is reported in the direct expenses of the various programs.

Balance Sheet - Governmental Funds

As of June 30, 2014

	General	Special Revenue Off-Site Programs	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 10,716,652	\$ —	\$ 232,979	\$ 10,949,631
Receivables				
Accounts	38,006	—	—	38,006
Due from other governments.....	5,169,218	872,046	—	6,041,264
Due from other funds	576,832	—	—	576,832
Inventories.....	51,516	—	—	51,516
Prepaid expenses.....	248,190	—	—	248,190
Total Assets	<u>\$ 16,800,414</u>	<u>\$ 872,046</u>	<u>\$ 232,979</u>	<u>\$ 17,905,439</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 863,133	\$ 173,074	\$ 536	\$ 1,036,743
Due to other governments	—	—	44,508	44,508
Salaries and benefits payable.....	2,838,340	86,783	58,570	2,983,693
Accrued liabilities.....	328,039	—	—	328,039
Due to other funds	—	576,832	—	576,832
Total Liabilities	<u>4,029,512</u>	<u>836,689</u>	<u>103,614</u>	<u>4,969,815</u>
Fund Balances				
Nonspendable				
Inventories	51,516	—	—	51,516
Prepaid expenditures	248,190	—	—	248,190
Restricted for				
Categorical funding	292,729	—	—	292,729
Off-site programs	—	35,357	—	35,357
Special education transportation ...	—	—	129,365	129,365
Committed for				
New facility.....	2,500,000	—	—	2,500,000
Facility repairs.....	500,000	—	—	500,000
Equipment replacement	563,900	—	—	563,900
Assigned to				
Professional leave.....	222,747	—	—	222,747
Local projects.....	202,939	—	—	202,939
Other.....	147,017	—	—	147,017
Unassigned	8,041,864	—	—	8,041,864
Total Fund Balances	<u>12,770,902</u>	<u>35,357</u>	<u>129,365</u>	<u>12,935,624</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,800,414</u>	<u>\$ 872,046</u>	<u>\$ 232,979</u>	<u>\$ 17,905,439</u>

See accompanying notes to the financial statements.

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

As of June 30, 2014

Total Fund Balances for Governmental Funds (Page 12)....	\$ 12,935,624
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$17,232,456 and the accumulated depreciation/amortization is \$11,324,627	5,907,829
Long-term liabilities, including compensated absences, and other postemployment benefits payable are not due and payable in the current year and, therefore, are not reported in the governmental funds	<u>(767,440)</u>
Net Position of Governmental Activities (Page 10)	<u>\$ 18,076,013</u>

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

Year Ended June 30, 2014

	General	<u>Special Revenue</u> Off-Site Programs	Nonmajor	Total
Revenue				
Local sources	\$ 17,946,490	\$ 1,630,692	\$ 99	\$ 19,577,281
State sources	16,530,195	65,898	620,528	17,216,621
Federal sources.....	<u>15,261,041</u>	<u>—</u>	<u>—</u>	<u>15,261,041</u>
Total Revenue.....	<u>49,737,726</u>	<u>1,696,590</u>	<u>620,627</u>	<u>52,054,943</u>
Expenditures				
Current				
Instruction	1,070,339	1,605,131	518,751	3,194,221
Student support services.....	21,483,108	—	—	21,483,108
Instructional staff support services	17,190,604	1,240	—	17,191,844
General administration	1,888,622	1,683	—	1,890,305
Building administration	2,365,814	69,363	50,817	2,485,994
Business and central administration.....	3,826,426	—	—	3,826,426
Purchasing, distributing, printing, publishing and duplicating	1,120,654	—	—	1,120,654
Plant operations and maintenance	1,014,949	97,739	—	1,112,688
Central and other support services	4,921	—	—	4,921
Noninstructional programs.....	699,628	—	—	699,628
Facilities acquisition and construction	<u>—</u>	<u>—</u>	120	120
Total Expenditures	<u>50,665,065</u>	<u>1,775,156</u>	<u>569,688</u>	<u>53,009,909</u>
Revenue Over (Under)				
Expenditures	<u>(927,339)</u>	<u>(78,566)</u>	<u>50,939</u>	<u>(954,966)</u>
Other Financing Sources (Uses)				
Transfers in	50,939	—	—	50,939
Transfers out	<u>—</u>	<u>—</u>	<u>(50,939)</u>	<u>(50,939)</u>
Total Other Financing Sources (Uses)	<u>50,939</u>	<u>—</u>	<u>(50,939)</u>	<u>—</u>
Net Change in Fund Balances	(876,400)	(78,566)	—	(954,966)
Fund Balances - Beginning of Year	<u>13,647,302</u>	<u>113,923</u>	<u>129,365</u>	<u>13,890,590</u>
Fund Balances - End of Year	<u>\$ 12,770,902</u>	<u>\$ 35,357</u>	<u>\$ 129,365</u>	<u>\$ 12,935,624</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, 2014

Change in Fund Balances - Total Governmental Funds (Page 14) \$ (954,966)

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 position and are allocated over their estimated useful lives as depreciation/amortization expense in the statement of activities. The amounts of capital outlays, depreciation/amortization expense and loss on disposal for the year are as follows:

Capital outlays.....	\$ 904,076	
Loss on disposal	(2,006)	
Depreciation/amortization expense	<u>(1,095,807)</u>	(193,737)

Compensated absences 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>(165,640)</u>
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Change in Net Position of Governmental Activities (Page 11) \$ (1,314,343)

Statement of Fiduciary Assets and Liabilities - Fiduciary Funds - Agency —

As of June 30, 2014

Assets

Cash and pooled investments	\$ 231,059
Accounts receivable	182,666
Due from other governments	<u>1,843</u>

Total Assets **\$ 415,568**

Liabilities

Accounts payable	\$ 46,773
Due to other governments	123,791
Deposits held in custody of others	<u>245,004</u>

Total Liabilities **\$ 415,568**

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, 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 position 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 normally are supported by intergovernmental revenue.

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

Net investment in capital assets 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 position results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management which can be removed or modified.

Notes to the Financial Statements

(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 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 reports the following major governmental funds:

The General Fund is the general operating fund of the Agency. All general revenue and other receipts 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 Agency also reports the following fiduciary fund:

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

Measurement Focus and Basis of Accounting

The Government-wide financial statements are reported using the economic resources measurement focus 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 year or soon enough thereafter to pay liabilities of the current year. 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 position 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 Pooled Investments

Cash includes amounts in demand deposits 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.

Inventories

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

Capital Assets

Capital assets, which include property, furniture, equipment and intangibles, are reported in the Government-wide statement of net position. 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 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 two years.

Asset Class	Amount
Land.....	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment	1,000
Computers and portable devices.....	400
Library books and other media 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 and other media materials are depreciated/amortized using the straight-line method of depreciation/amortization and library books and other media materials 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
Computers and portable devices.....	5 Years
Library books and other media materials.....	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.

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 position representing the Agency's commitment to fund noncurrent compensated absences. This liability has been computed based on rates of pay in effect as of June 30, 2014. 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 position.

Deferred Inflows of Resources

Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within 60 days after year end.

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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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 the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2014, expenditures did exceed the amounts budgeted.

(2) Cash and Pooled Investments

The Agency's deposits in banks as of June 30, 2014 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; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had investments in the Iowa Schools Joint Investment Trust Direct Government Obligation Portfolio which are valued at an amortized cost of \$4,525 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

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.

Notes to the Financial Statements

(3) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated/Amortized				
Land.....	\$ 282,830	\$ 100,228	\$ —	\$ 383,058
Capital Assets Being Depreciated/ Amortized				
Buildings	5,944,794	—	—	5,944,794
Improvements other than buildings.....	611,686	2,613	—	614,299
Furniture and equipment	6,246,463	625,563	484,157	6,387,869
Library books and other media materials	3,115,767	175,672	462,400	2,829,039
Intangibles.....	<u>1,073,397</u>	<u>—</u>	<u>—</u>	<u>1,073,397</u>
Total Capital Assets Being Depreciated/Amortized	<u>16,992,107</u>	<u>803,848</u>	<u>946,557</u>	<u>16,849,398</u>
Less Accumulated Depreciation/ Amortization For				
Buildings	3,432,032	118,896	—	3,550,928
Improvements other than buildings.....	324,522	30,715	—	355,237
Furniture and equipment	4,549,400	591,732	482,151	4,658,981
Intangibles.....	143,576	71,560	—	215,136
Library books and other medial materials.....	<u>2,723,841</u>	<u>282,904</u>	<u>462,400</u>	<u>2,544,345</u>
Total Accumulated Depreciation/Amortization	<u>11,173,371</u>	<u>1,095,807</u>	<u>944,551</u>	<u>11,324,627</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>5,818,736</u>	<u>(291,959)</u>	<u>2,006</u>	<u>5,524,771</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 6,101,566</u>	<u>\$ (191,731)</u>	<u>\$ 2,006</u>	<u>\$ 5,907,829</u>

Notes to the Financial Statements

(3) Capital Assets

Depreciation/amortization expense was charged as follows:

Governmental Activities	
Instruction	\$ 2,374
Student support services	37,844
Instructional staff support services	579,466
General administration	99,030
Business and central administration	169,377
Plant operations and maintenance	50,271
Purchasing, distributing, printing, publishing and duplicating	2,845
Unallocated	154,600
Total Governmental Activities Depreciation Expense	<u>\$ 1,095,807</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
Compensated absences	\$ 69,467	\$ 86,226	\$ 69,467	\$ 86,226	\$ 86,226
Net OPEB liability	<u>532,333</u>	<u>148,881</u>	<u>—</u>	<u>681,214</u>	<u>—</u>
	<u>\$ 601,800</u>	<u>\$ 235,107</u>	<u>\$ 69,467</u>	<u>\$ 767,440</u>	<u>\$ 86,226</u>

Early Retirement Benefits Payable

Grant Wood Area Education Agency may provide a Separation Plan for Agency staff, and that decision is made each year by the Board as part of a fiscal management plan. There was no Separation Plan provided for the year ended June 30, 2014. For employees who separated prior to July 1, 2009, the Agency will continue to provide health and life insurance benefits until they reach the age of 65. Actual expenditures for health and life insurance benefits for the year ended June 30, 2014 totaled \$3,882, and the amount of remaining benefits payable is immaterial.

(5) Due From and Due to Other Funds

The detail of interfund receivables and payables as of June 30, 2014 was as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue - Off-Site Programs	<u>\$ 576,832</u>

The Special Revenue - Off-site 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, 2014.

Notes to the Financial Statements

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 was as follows:

Transfer to	Transfer From	Amount
General	Special Revenue - Disaster Recovery	<u>\$ 50,939</u>

This transfer was due to closing the District Recovery Fund after final FEMA payments were received.

(7) Operating Leases

The Agency leases 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 as incurred. The leases expire between July, 2014 and March, 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, 2014.

Year Ending June 30,	
2015	\$ 192,004
2016	132,978
2017	27,093
2018	27,093
2019	18,868
Total	<u>\$ 398,036</u>

Total rental expenditures for the year ended June 30, 2014 for all operating leases, except those with terms of a month or less that were not renewed, was \$309,280.

(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 5.95% of their annual covered salary and the Agency is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The Agency's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$2,637,574, \$2,427,217, and \$2,129,521, 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 medical and prescription drug benefits for employees and retirees and their spouses. There are 426 active and 53 retired members in the plan. Retirees must be age 55 or older at retirement.

The postemployment medical and prescription benefits are provided through the MIIP plans. Retirees under age 65 pay the same premium for the medical/prescription drug benefits 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 by contacting 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 Directors. 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, 2014, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation:

Annual required contribution	\$ 286,310
Interest on net OPEB obligation.....	13,308
Adjustment to annual required contribution.....	<u>(58,602)</u>
Annual OPEB Cost	241,016
Contributions made	<u>(92,135)</u>
Increase in Net OPEB Obligation	148,881
Net OPEB Obligation - Beginning of Year.....	<u>532,333</u>
Net OPEB Obligation - End of Year	<u>\$ 681,214</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, 2014.

For the year ended June 30, 2014, the Agency contributed \$92,135 to the medical plan.

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, 2014 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 197,844	53.2%	\$ 378,772
June 30, 2013	263,824	49.6	532,333
June 30, 2014	241,016	35.4	681,214

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date for the period of July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1,549,038 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,549,038. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$29,600,000, and the ratio of the UAAL to the covered payroll was 5.2%. As of June 30, 2014, 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, 2013 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions included a 2.5% discount rate 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 \$280 per month per active employee. The UAAL is being amortized as a level percentage of projected payroll expense over 30 years.

Notes to the Financial Statements

(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 years of service. Unused sick days may be carried forward until needed by the employee, up to a maximum amount established for each employee group. Upon termination, retirement or death, unused days are forfeited; therefore, no accrual is required.

(12) Subsequent Events

To meet Agency facility needs, the Iowa Department of Education has approved the Agency entering into a long-term lease with Kirkwood Community College as a tenant in a building they are constructing. The Agency's Board of Directors had committed \$2,500,000 towards the expected cost of the building project and \$256,900 towards equipment and furniture as of June 30, 2014. The construction began in October, 2013, and occupancy is anticipated in August, 2015. The lease agreement had not been finalized as of November 18, 2014. The Agency's Board of Directors also committed \$500,000 towards the expected cost of a remodeling project which was started in September, 2014 for an anticipated cost of \$455,200.

Management has evaluated subsequent events through November 18, 2014, the date which the financial statements were available to be issued.

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*. This statement will be implemented during the year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the statement of net position may include a significant liability for the Agency's proportionate share of the IPERS employee pension plan unfunded pension liability.

Required Supplementary Information

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

Year Ended June 30, 2014

	Actual	Budget Amount		Over
	Governmental	Original	Final	(Under)
	Fund Types			Budget
Revenue				
Local sources	\$ 19,577,281	\$ 16,859,296	\$ 18,284,880	\$ 1,292,401
State sources	17,216,621	17,774,904	17,752,226	(535,605)
Federal sources.....	15,261,041	14,676,500	15,412,939	(151,898)
Total Revenue	52,054,943	49,310,700	51,450,045	604,898
Current Expenditures				
Current				
Instruction	3,194,221	3,646,699	3,299,313	(105,092)
Student support services.....	21,483,108	22,741,546	21,467,866	15,242
Instructional staff support services	17,191,844	13,911,026	16,836,464	355,380
General administration	1,890,305	1,664,744	1,860,599	29,706
Building administration	2,485,994	2,451,763	2,434,034	51,960
Business and central administration	3,826,426	3,793,175	3,735,185	91,241
Purchasing, distributing, printing, publishing and duplicating	1,120,654	811,055	855,028	265,626
Plant operations and maintenance	1,112,688	865,541	1,068,038	44,650
Noninstructional programs	699,628	691,751	700,051	(423)
Central and other support services	4,921	5,000	5,000	(79)
Facilities acquisition and construction.....	120	—	—	120
Total Expenditures	53,009,909	50,582,300	52,261,578	748,331
Revenue Over (Under) Expenditures	(954,966)	(1,271,600)	(811,533)	(143,433)
Balance - Beginning of Year	13,890,590	13,681,285	11,152,654	2,737,936
Balance - End of Year	\$ 12,935,624	\$ 12,409,685	\$ 10,341,121	\$ 2,594,503

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 for all funds except Agency Funds. Although the budget document presents functional expenditures by fund, the legal level of control is at the total expenditure 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, 2014, the Agency's total expenditures did exceed the approved budget.

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

Year Ended June 30, 2014

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]
2010	7-1-08	\$ —	\$ 2,139,000	\$ 2,139,000	0.0%	\$ 28,024,000	7.6%
2011	7-1-10	—	1,642,382*	1,642,382*	0.0	28,904,000	5.7
2012	7-1-10	—	1,642,382	1,642,382	0.0	26,700,000	6.2
2013	7-1-12	—	1,549,038	1,549,038**	0.0	28,200,000	5.5
2014	7-1-12	—	1,549,038	1,549,038	0.0	29,600,000	5.2

See Note 9 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, 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.

** Less than unfunded actuarial accrued liability as of June 30, 2012 because of fiscal year 2012/2013 actuarial loss due to pay-as-you-go funding with increase in future costs offset by assumed trend and “aging” retired employees.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds —————

As of June 30, 2014

	<u>Special Revenue</u>		
	<u>Juvenile Home</u>	<u>Special Education Transportation</u>	<u>Total</u>
Assets			
Cash and pooled investments	<u>\$ 103,614</u>	<u>\$ 129,365</u>	<u>\$ 232,979</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 536	\$ —	\$ 536
Due to other governments	44,508	—	44,508
Salaries and benefits payable.....	<u>58,570</u>	<u>—</u>	<u>58,570</u>
Total Liabilities	<u>103,614</u>	<u>—</u>	<u>103,614</u>
 Fund Balances			
Restricted for			
Special education transportation	<u>—</u>	<u>129,365</u>	<u>129,365</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 103,614</u>	 <u>\$ 129,365</u>	 <u>\$ 232,979</u>

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

Year Ended June 30, 2014

	Special Revenue			Total
	Juvenile Home	Special Education Transportation	Disaster Recovery	
Revenue				
Local sources	\$ 99	\$ —	\$ —	\$ 99
State sources	569,469	—	51,059	620,528
Total Revenue	<u>569,568</u>	<u>—</u>	<u>51,059</u>	<u>620,627</u>
Expenditures				
Current				
Instruction	518,751	—	—	518,751
Building administration	50,817	—	—	50,817
Facilities acquisition and construction	—	—	120	120
Total Expenditures	<u>569,568</u>	<u>—</u>	<u>120</u>	<u>569,688</u>
Revenue Over Expenditures	<u>—</u>	<u>—</u>	<u>50,939</u>	<u>50,939</u>
Other Financing Uses				
Transfer out.....	—	—	<u>(50,939)</u>	<u>(50,939)</u>
Net Change in Fund Balances	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund Balances - Beginning of Year ..	—	129,365	—	129,365
Fund Balances - End of Year	<u>\$ —</u>	<u>\$ 129,365</u>	<u>\$ —</u>	<u>\$ 129,365</u>

Schedule of Changes in Fiduciary Assets and Liabilities - Agency —————

Year Ended June 30, 2014

	Balance - Beginning of Year	Additions	Deductions	Balance - End of Year
Assets				
Cash and pooled investments	\$ 307,391	\$ 231,059	\$ 307,391	\$ 231,059
Accounts receivable	440,374	182,666	440,374	182,666
Due from other governments	<u>6,133</u>	<u>1,843</u>	<u>6,133</u>	<u>1,843</u>
Total Assets	<u>\$ 753,898</u>	<u>\$ 415,568</u>	<u>\$ 753,898</u>	<u>\$ 415,568</u>
Liabilities				
Accounts payable	\$ 27,381	\$ 46,773	\$ 27,381	\$ 46,773
Due to other governments	423,820	123,791	423,820	123,791
Deposits held in custody of others.....	<u>302,697</u>	<u>245,004</u>	<u>302,697</u>	<u>245,004</u>
Total Liabilities	<u>\$ 753,898</u>	<u>\$ 415,568</u>	<u>\$ 753,898</u>	<u>\$ 415,568</u>

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

For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenue										
Local sources	\$ 19,577,281	\$ 18,214,955	\$ 18,076,352	\$ 17,938,412	\$ 17,206,139	\$ 17,030,516	\$ 16,038,177	\$ 15,041,418	\$ 13,983,285	\$ 13,132,227
State sources	17,216,621	15,895,236	14,867,307	17,188,524	15,277,092	16,486,116	14,749,636	12,264,922	11,178,373	10,603,900
Federal sources.....	<u>15,261,041</u>	<u>15,824,051</u>	<u>16,537,030</u>	<u>20,805,815</u>	<u>28,598,201</u>	<u>19,520,136</u>	<u>15,202,341</u>	<u>14,987,496</u>	<u>15,511,872</u>	<u>14,908,419</u>
Total Revenue	<u>\$ 52,054,943</u>	<u>\$ 49,934,242</u>	<u>\$ 49,480,689</u>	<u>\$ 55,932,751</u>	<u>\$ 61,081,432</u>	<u>\$ 53,036,768</u>	<u>\$ 45,990,154</u>	<u>\$ 42,293,836</u>	<u>\$ 40,673,530</u>	<u>\$ 38,644,546</u>
Expenditures										
Current										
Instruction	\$ 3,194,221	\$ 3,200,893	\$ 3,601,708	\$ 3,306,263	\$ 3,410,085	\$ 4,478,567	\$ 3,431,606	\$ 3,218,572	\$ 2,861,860	\$ 2,895,016
Student support services.....	21,483,108	21,597,493	20,048,381	22,374,649	29,381,578	22,105,572	19,216,300	17,612,480	16,334,283	21,842,877
Instructional staff support services	17,191,844	14,415,436	14,293,448	14,053,374	13,828,831	12,258,544	12,361,673	11,276,485	12,251,021	5,320,170
General administration	1,890,305	1,756,694	1,596,547	1,822,184	2,097,285	1,987,993	1,444,593	1,781,740	1,282,735	1,330,034
Building administration	2,485,994	2,474,672	2,210,580	2,123,953	2,331,166	2,288,356	1,990,916	1,937,768	1,612,866	1,400,136
Business and central administration...	3,826,426	3,822,443	3,980,072	3,687,540	3,178,880	3,152,350	4,402,141	3,887,997	3,866,531	1,176,309
Purchasing, distributing, printing, publishing and duplicating	1,120,654	847,367	775,251	869,658	897,708	900,666	—	—	—	—
Plant operations and maintenance	1,112,688	1,260,503	743,786	685,943	1,115,925	1,426,833	1,712,287	757,681	661,940	894,915
Central and other support services.....	4,921	5,839	4,847	3,433	9,030	7,279	9,432	10,979	190,256	2,898,370
Facilities acquisition and construction.....	699,628	—	1,379,796	677,291	164,998	1,633,129	—	1,151,924	1,065,020	59,409
Debt service	—	—	886,907	279,990	206,065	258,865	271,023	279,755	290,239	1,464,930
Noninstructional programs.....	<u>120</u>	<u>689,660</u>	<u>715,537</u>	<u>787,483</u>	<u>909,035</u>	<u>1,041,533</u>	<u>1,412,006</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Expenditures	<u>\$ 53,009,909</u>	<u>\$ 50,071,000</u>	<u>\$ 50,236,860</u>	<u>\$ 50,671,761</u>	<u>\$ 57,530,586</u>	<u>\$ 51,539,687</u>	<u>\$ 46,251,977</u>	<u>\$ 41,915,381</u>	<u>\$ 40,416,751</u>	<u>\$ 39,282,166</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education - Indirect			
Pass-Through From Iowa Department of Education			
Special Education Cluster (IDEA)			
Special Education - Grants to States			
IDEA Part B Section 611	84.027	N/A	\$ 9,816,252
Information Management Systems	84.027	N/A	411,267
Parent Educator Connection	84.027	N/A	157,029
IDEA - Flowthrough to LEA	84.027	N/A	<u>3,238,424</u>
Total Special Education - Grants to States			<u>13,622,972</u>
Special Education - Preschool Grants			
Section 619	84.173	13619-10	<u>314,365</u>
Total Special Education Cluster (IDEA)			<u>13,937,337</u>
Career and Technical Education - Basic Grants to States			
	84.048	G40132	<u>251,914</u>
Special Education - Grants for Infants and Families - Part C - Infant and Toddler			
	84.181	C1314-10	<u>372,074</u>
Safe and Drug-Free Schools and Communities - National Programs			
	84.184	004614	<u>89,836</u>
English Language Acquisition State Grants			
	84.365	14ELA-05	<u>195,075</u>
Pass-Through From University of Northern Iowa			
Investing in Innovation (i3) Fund Cluster			
Reading Recovery	84.411	N/A	15,450
Pass-Through From New Teacher Center			
Investing in Innovation (i3) Fund Cluster			
Mentoring	84.411	79500	<u>399,355</u>
Total Investing in Innovation (i3) Fund			<u>414,805</u>
Total Federal Financial Assistance			<u>\$ 15,261,041</u>

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.

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, in accordance with the 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, the 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, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, as listed in the table of contents, and have issued our report thereon dated November 18, 2014.

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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grant Wood Area Education Agency 10's internal control. Accordingly, we do not express an opinion on the effectiveness of Grant Wood Area Education Agency 10's internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*. However, we noted an immaterial instance of noncompliance which is described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about Grant Wood Area Education Agency 10's operations for the year ended June 30, 2014 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.

Grant Wood Area Education Agency 10's Response to the Finding

Grant Wood Area Education Agency 10's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Grant Wood Area Education Agency 10's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
November 18, 2014

HOGAN • HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Grant Wood Area Education Agency 10'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, 2014. Grant Wood Area Education Agency 10's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Grant Wood Area Education Agency 10's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Grant Wood Area Education Agency 10's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Grant Wood Area Education Agency 10 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on 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 the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Grant Wood Area Education Agency 10's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN
Mason City, Iowa
November 18, 2014

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

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

84.411

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

Name of Federal Program or Cluster

Special Education Cluster (IDEA)

Investing in Innovation (i3) Fund

\$457,831

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

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 Statutory Reporting

14-IV-A Certified Budget

Finding - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Auditor's Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Auditor's Conclusion - Response accepted.

14-IV-B 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.

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

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

14-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 insure that the coverage is adequate for current operations.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2014

- 14-IV-F Board Minutes** - We noted no transactions requiring Board approval which had not been approved by the Board.
- 14-IV-G 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 and the Agency's investment policy.
- 14-IV-H Certified Annual Report** - The Certified Annual Report was certified timely to the Iowa Department of Education.
- 14-IV-I Categorical Funding** - No instances were noted of categorical funding used to supplant rather than supplement other funds.