

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2015**

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**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b><u>Board of Directors</u></b>		
Rex Masterson	President	2015
Joe Adam	Vice-President	2015
Robin Krueger	Member	2015
William Koellner	Member	2015
Scott Saveraid	Member	2015
Dick Wold	Member	2015
Ralph Johanson	Member	2017
Richard Kissack	Member	2017
Ken Krumwiede	Member	2017
<b><u>Agency</u></b>		
William Decker	Administrator	Indefinite
Cheryl Oake	Board Secretary	Indefinite
Edward Gronlund	Treasurer and Director of Strategic Management and Evaluation	Indefinite

## **Independent Auditor's Report**

To the Board of Directors of  
Mississippi Bend Area Education Agency 9

### **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 Mississippi Bend Area Education Agency 9, Bettendorf, Iowa, as of and for the year ended June 30, 2015, 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 Agency'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 Agency'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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Mississippi Bend Area Education Agency 9, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 15 to the financial statements, Mississippi Bend Area Education Agency 9 adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of the Agency's proportionate share of the net pension liability, the schedule of Agency contributions and the schedule of funding progress for the retiree health plan on pages 5 through 11 and 40 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mississippi Bend Area Education Agency 9'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 six years ended June 30, 2014 (which are not presented herein) and expressed an unmodified opinions on those financial statements. The financial statements for the three years ended June 30, 2008 were audited by other auditors whose reports expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by 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.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the 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 basic 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 March 9, 2016 on our consideration of Mississippi Bend Area Education Agency 9's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mississippi Bend Area Education Agency 9's internal control over financial reporting and compliance.

*Winkel, Parker & Foster, CPA PC*

Clinton, Iowa  
March 9, 2016

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

Mississippi Bend Area Education Agency 9 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

**2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$34,128,901 in fiscal year 2014 (FY14) to \$34,197,266 in fiscal year 2015 (FY15), while General Fund expenditures increased from \$35,762,581 in FY14 to \$37,451,159 in FY15. There was an overall decrease of the Agency's General Fund balance from \$3,588,274 in FY14 to \$(101,423) in FY15, a 102.8% decrease from the prior year.
- The Agency's self-insured medical insurance program continued to experience favorable claim costs. The claims reserve balance at June 30, 2015 was \$790,565.
- The State of Iowa combined its Teacher Quality funding and Phase II Funding into Teacher Salary Supplement funding in FY09. AEA 9's portion in FY15 amounted to \$1,345,530. The State of Iowa also provided \$110,823 for professional development in FY15.

**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 Position and a Statement of Activities. These provide information about the activities of Mississippi Bend Area Education Agency 9 as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide financial 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, the Agency's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

- 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, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

In the government-wide financial statements, the Agency's activities are defined as governmental activities:

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

*Fund Financial Statements*

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

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

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

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 readily converted to cash flow in and out and the balances left at year-end available for spending. Consequently, the governmental fund financial 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 Debt Service Fund 3) the Juvenile Home 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.

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 is a Statement of Fiduciary Assets and Liabilities.

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

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. Mississippi Bend Area Education Agency 9's net position at the end of fiscal year 2015 totaled \$(14,919,042) compared to \$4,428,503 at the end of fiscal year 2014. The analysis that follows focuses on the net position and changes in net position.

	<b>Condensed Statement of Net Position</b>	
	<b>Governmental Activities</b>	
	<b>June 30, 2015</b>	<b>June 30, 2014</b>
		<b>Not Restated</b>
Current and other assets	\$ 3,450,433	\$ 7,311,412
Capital assets	<u>7,638,706</u>	<u>6,941,309</u>
Total assets	<u>11,089,139</u>	<u>14,252,721</u>
Deferred outflows of resources	<u>2,872,283</u>	<u>-</u>
Long-term obligations	20,308,263	6,539,361
Other liabilities	<u>3,454,523</u>	<u>3,284,857</u>
Total liabilities	<u>23,762,786</u>	<u>9,824,218</u>
Deferred inflows of resources	<u>5,117,678</u>	<u>-</u>
Net position:		
Net investment in capital assets	4,007,640	3,526,196
Restricted	1,857,273	2,333,457
Unrestricted	<u>(20,783,955)</u>	<u>(1,431,150)</u>
<b>Total net position</b>	<b><u>\$ (14,919,042)</u></b>	<b><u>\$ 4,428,503</u></b>

The Agency's total net position decreased by 436.9%, or approximately \$19,348,000 from FY14. The decrease in unrestricted net position was primarily due to the implementation of GASB 68 and the restatement of beginning net position.

The Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$16,746,809 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

The following analysis details the changes in net position for the year ended June 30, 2015.

	<b>Changes in Net Position Governmental Activities</b>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u> <b>Not Restated</b>
Revenues:		
Program revenues:		
Charges for service	\$ 2,184,179	\$ 2,385,515
Operating grants and contributions	13,681,002	14,059,938
General revenues		
Property tax	8,756,455	7,106,918
State foundation aid	9,499,329	10,489,255
Juvenile home	356,280	413,398
Local donations	68,663	79,628
Unrestricted investment earnings	<u>7,674</u>	<u>7,685</u>
Total revenues	<u>34,553,582</u>	<u>34,542,337</u>
Program expenses:		
Instruction	1,015,918	1,109,766
Student support services	20,132,879	19,868,007
Instructional staff support services	9,693,821	9,262,331
General administration	2,335,637	2,627,677
Business administration	1,030,560	1,014,305
Plant operations and maintenance	1,213,779	983,223
Central and other support services	1,468,951	1,609,167
Facilities acquisition and construction	19,236	801
Interest on long-term debt	<u>243,537</u>	<u>152,407</u>
Total expenses	<u>37,154,318</u>	<u>36,627,684</u>
Change in net position	(2,600,736)	(2,085,347)
Net position, beginning of year, as restated	<u>(12,318,306)</u>	<u>6,513,850</u>
<b>Net position, end of year</b>	<u>\$ (14,919,042)</u>	<u>\$ 4,428,503</u>

Operating grants and contributions from local, state and federal sources account for 39.6% of the total revenue. The Agency's expenses primarily relate to student and instructional support services, which account for 80.3% of the total expenses.

**GOVERNMENTAL ACTIVITIES**

Revenues for governmental activities were \$34,553,582 and expenses were \$37,154,318.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

**INDIVIDUAL FUND ANALYSIS**

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

The Agency's governmental funds reported combined fund balances of \$(24,644). This is \$4,075,159 below last year's ending fund balances of \$4,050,515. The major reason for the decrease is due a continued State cut to all AEA's in FY15. There was a \$15 million State Cut to all AEA's in FY15. AEA 9's portion of this cut was \$1,523,630. AEA 9 also had a 3.00% salary package increase to all agency employees in FY15.

**Governmental Fund Highlights**

- The General Fund balance decreased from \$3,588,274 to \$(101,423). Nonspendable fund balances decreased by \$44,394, restricted fund balances decreased by \$1,448,203, assigned fund balances decreased by \$44,936 and unassigned fund balances decreased by \$2,152,164.
- The Debt Service Fund balance decreased from \$462,241 to \$104,089.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the Agency amended its annual operating budget one time. 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 ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2015, the Agency had invested \$7,638,706 net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, furniture and equipment, computers and audio-visual equipment. This is a net increase of \$697,397 from last year. This increase was primarily due to current year additions exceeding depreciation expense and deletions.

Mississippi Bend Area Education Agency 9 had depreciation/amortization expense of \$725,501 in FY15 and total accumulated depreciation of \$4,527,448 at June 30, 2015. Detailed information about capital assets is presented in Note 4 to the financial statements.

**Long-Term Liabilities**

At June 30, 2015, the Agency had \$20,308,263 of long-term liabilities outstanding compared to \$6,539,361 at June 30, 2014. The long-term liabilities balance at June 30, 2014 did not include the net pension liability of \$18,724,002. More detailed information about the Agency's long-term liabilities is presented in Note 6 to the financial statements.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

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

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

- The Agency has experienced a decrease in the number of students being served by its programs for many years. Enrollment history and projections are as follows:

<u>Year</u>	<u>Number</u>	<u>Difference</u>
2001	53,577	(734)
2002	53,247	(330)
2003	52,866	(381)
2004	52,353	(513)
2005	52,152	(201)
2006	51,861	(291)
2007	51,324	(537)
2008	50,968	(356)
2009	50,584	(384)
2010	50,456	(128)
2011	50,440	(16)
2012	50,206	(234)
2013	50,273	67
2014	50,076	(197)
2015	50,371	295

- The State of Iowa made permanent the 7.5% reduction in AEA controlled funding that was imposed in the year ended 6/30/02. This is a permanent reduction of \$767,782 from the funds generated by the controlled funding formula.
- In the spring of 2008 the State of Iowa passed Senate File 277 which enhanced the Teacher Quality Program. The State of Iowa combined its Teacher Quality Program funding and Phase II Program funding into Teacher Salary Supplement funding in FY10. AEA 9 received \$1,345,530 additional teacher compensation and \$110,823 for additional staff development in FY15.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Edward Gronlund, Director of Strategic Management and Evaluation, Mississippi Bend Area Education Agency 9, 729 21<sup>st</sup> Street, Bettendorf, Iowa 52722.

**BASIC FINANCIAL STATEMENTS**

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash, cash equivalents and pooled investments	\$ 493,814
Receivables:	
Accounts	588,836
Due from other governments	2,310,192
Inventories	57,591
Capital assets, net of accumulated depreciation/amortization	<u>7,638,706</u>
Total assets	<u>11,089,139</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	<u>2,872,283</u>
 <b>LIABILITIES</b>	
Accounts payable	1,444,907
Accrued interest payable	17,254
Salaries and benefits payable	727,265
Advances from grantors:	
Miscellaneous	882,647
Insurance claims incurred but not reported	382,450
Long-term liabilities:	
Portion due or payable within one year:	
Certificates of participation	313,000
Capital leases	16,939
Compensated absences	506,073
Portion due or payable after one year:	
Certificates of participation	3,257,000
Capital leases	44,127
Compensated absences	2,192,970
Net pension liability	13,419,154
Net OPEB liability	<u>559,000</u>
Total liabilities	<u>23,762,786</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	<u>5,117,678</u>
 <b>NET POSITION</b>	
Net investment in capital assets	4,007,640
Restricted for:	
Debt service	86,835
Media materials	377,484
Other	1,382,456
Capital projects	10,498
Unrestricted	<u>(20,783,955)</u>
Total net position	<u>\$ (14,919,042)</u>

See notes to financial statements.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2015**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Revenue</u>
<b>FUNCTIONS/PROGRAMS:</b>		<u>Service</u>	<u>and Contributions</u>	<u>and Changes</u>
				<u>in Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Regular instruction	\$ 1,015,918	\$ 635,249	\$ 124,063	\$ (256,606)
Student support services	20,132,879	934,128	11,339,900	(7,858,851)
Instructional staff support services	9,693,821	390,370	2,165,849	(7,137,602)
General administration	2,335,637	-	-	(2,335,637)
Business administration	1,030,560	95,273	-	(935,287)
Plant operations and maintenance	1,213,779	42,584	-	(1,171,195)
Central and other support services	1,468,951	86,575	51,190	(1,331,186)
Facilities acquisition and construction	19,236	-	-	(19,236)
Interest on long-term debt	243,537	-	-	(243,537)
	<u>\$ 37,154,318</u>	<u>\$ 2,184,179</u>	<u>\$ 13,681,002</u>	<u>(21,289,137)</u>
General revenues:				
Property tax levied for general purposes				8,756,455
State foundation aid				9,499,329
Juvenile home				356,280
Local donations				68,663
Unrestricted investment earnings				7,674
				<u>18,688,401</u>
<b>CHANGE IN NET POSITION</b>				<b>(2,600,736)</b>
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>				<b><u>(12,318,306)</u></b>
<b>NET POSITION, END OF YEAR</b>				<b><u>\$ (14,919,042)</u></b>

See notes to financial statements.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
<b>ASSETS</b>				
Cash, cash equivalents and pooled investments	\$ 493,790	\$ 24	\$ -	\$ 493,814
Receivables:				
Accounts	588,836	-	-	588,836
Due from other governments	2,272,384	-	37,808	2,310,192
Due from other funds	27,479	104,065	10,498	142,042
Inventories	57,591	-	-	57,591
Total assets	<u>3,440,080</u>	<u>104,089</u>	<u>48,306</u>	<u>3,592,475</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 3,440,080</u>	<u>\$ 104,089</u>	<u>\$ 48,306</u>	<u>\$ 3,592,475</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,444,907	\$ -	\$ -	\$ 1,444,907
Salaries and benefits payable	716,936	-	10,329	727,265
Due to other funds	114,563	-	27,479	142,042
Advances from grantors:				
Miscellaneous	882,647	-	-	882,647
Insurance claims incurred but not reported	382,450	-	-	382,450
Total liabilities	<u>3,541,503</u>	<u>-</u>	<u>37,808</u>	<u>3,579,311</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Other	<u>-</u>	<u>-</u>	<u>37,808</u>	<u>37,808</u>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable:				
Inventories	57,591	-	-	57,591
Restricted for:				
Debt service	-	104,089	-	104,089
Media materials	377,484	-	-	377,484
Other	790,565	-	-	790,565
Capital projects	-	-	10,498	10,498
Assigned	1,382,456	-	-	1,382,456
Unassigned	(2,709,519)	-	(37,808)	(2,747,327)
Total fund balances (deficits)	<u>(101,423)</u>	<u>104,089</u>	<u>(27,310)</u>	<u>(24,644)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 3,440,080</u>	<u>\$ 104,089</u>	<u>\$ 48,306</u>	<u>\$ 3,592,475</u>

See notes to financial statements.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
June 30, 2015**

**Total governmental fund balances (page 15)** \$ (24,644)

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

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 \$12,166,154 and the accumulated depreciation/amortization is \$4,527,448. 7,638,706

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 37,808

Pension related deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

Deferred outflows of resources	\$ 2,872,283	
Deferred inflows of resources	<u>(5,117,678)</u>	(2,245,395)

Long-term liabilities, including certificates of participation, capital leases, compensated absences, accrued interest payable, other post employment benefits payable and net pension liability, are not due and payable in the current year and therefore, are not reported in the governmental funds. (20,325,517)

**Net position of governmental activities (page 14)** \$ (14,919,042)

See notes to financial statements.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2015**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
<b>REVENUES</b>				
Local sources	\$ 11,084,388	\$ 36	\$ -	\$ 11,084,424
State sources	11,322,953	-	318,472	11,641,425
Federal sources	11,789,925	-	-	11,789,925
Total revenues	<u>34,197,266</u>	<u>36</u>	<u>318,472</u>	<u>34,515,774</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	724,804	-	318,128	1,042,932
Student support services	20,677,908	-	-	20,677,908
Instructional staff support services	10,110,075	-	-	10,110,075
General administration	2,318,667	-	38,152	2,356,819
Business administration	1,061,359	-	-	1,061,359
Plant operations and maintenance	1,070,969	-	-	1,070,969
Central and other support services	1,428,064	-	-	1,428,064
Facilities acquisition and construction	-	-	820,964	820,964
Debt service	59,313	475,930	-	535,243
Total expenditures	<u>37,451,159</u>	<u>475,930</u>	<u>1,177,244</u>	<u>39,104,333</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(3,253,893)</u>	<u>(475,894)</u>	<u>(858,772)</u>	<u>(4,588,559)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of capital lease obligations	18,400	-	-	18,400
Proceeds from the issuance of debt	-	3,855,000	-	3,855,000
Principal payments on debt refunding	-	(3,360,000)	-	(3,360,000)
Transfers in	-	421,073	831,462	1,252,535
Transfers out	(454,204)	(798,331)	-	(1,252,535)
Total other financing sources (uses)	<u>(435,804)</u>	<u>117,742</u>	<u>831,462</u>	<u>513,400</u>
<b>CHANGE IN FUND BALANCES</b>	(3,689,697)	(358,152)	(27,310)	(4,075,159)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>3,588,274</u>	<u>462,241</u>	<u>-</u>	<u>4,050,515</u>
<b>FUND BALANCES (DEFICITS), END OF YEAR</b>	<u>\$ (101,423)</u>	<u>\$ 104,089</u>	<u>\$ (27,310)</u>	<u>\$ (24,644)</u>

See notes to financial statements.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2015**

**Change in fund balances - Total governmental funds (page 17)** **\$ (4,075,159)**

**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/amortization expense to allocate those expenditures over the estimated useful lives of the assets. The loss on disposals and depreciation/amortization expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 1,616,396	
Loss on disposals	(193,498)	
Depreciation/amortization expense	<u>(725,501)</u>	697,397

Certain revenue not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 37,808

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. The capital leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. (18,400)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Certificates of participation	(210,000)	
Capital leases	<u>12,447</u>	(197,553)

The current year Agency employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 2,095,660

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:

Compensated absences	(10,795)	
Pension expense	(1,013,400)	
Other postemployment benefits	(123,000)	
Interest on long-term debt	<u>6,706</u>	<u>(1,140,489)</u>

**Change in net position of governmental activities (page 14)** **\$ (2,600,736)**

See notes to financial statements.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
AGENCY FUND  
June 30, 2015**

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 48,783
Due from others	507
Total assets	49,290
 <b>LIABILITIES</b>	
Advances from grantors	48,764
Due to others	526
Total liabilities	49,290
 <b>NET POSITION</b>	 \$ -

See notes to financial statements.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

Mississippi Bend Area Education Agency 9 is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 22 school districts and private schools in a six-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

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

**B. Basis of Presentation**

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

The Statement of Net Position presents the Agency's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following 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 position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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.

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 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.

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

The Agency also reports 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.

**C. 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. 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.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

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 year or soon enough thereafter to pay liabilities of the current year. 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 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 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.

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

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

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

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity** (continued)

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 and furniture and equipment are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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.

<b>Asset Class</b>	<b>Amount</b>
Land	\$ 2,500
Buildings	2,500
Furniture and equipment	2,500
Library books, videos, and DVD's	1

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

<b>Asset Class</b>	<b>Estimated Useful Lives (In Years)</b>
Buildings	50
Furniture and equipment	5
Library books, videos, and DVD's	3

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

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)**

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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.

Advances from Grantors - Grant proceeds which have been received by the Agency but will be spent in a succeeding fiscal year.

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 non-current compensated absences. This liability has been computed based on rates of pay in effect at July 1, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue Fund.

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 Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are 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.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity** (continued)

Deferred inflows of resources in the governmental fund financial statements represent 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 receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

**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.

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

Unassigned - All amounts not included in the preceding classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, total expenditures did not exceed the amended certified budget amount.

**F. Subsequent Events**

Management has evaluated subsequent events through March 9, 2016, the date the financial statements were available to be issued.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 2 - CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS**

The Agency's deposits in banks at June 30, 2015 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.

In addition, the Agency had investments in the Iowa Schools Joint Investment Trust Direct Government Obligation Portfolio which are valued at an amortized cost of \$66,372 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) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

**NOTE 3 - ANTICIPATORY WARRANTS**

Anticipatory warrants are warrants which are legally drawn on Agency funds, but are not repaid until a later date due to the lack of funds. The warrants bear interest at rates in effect at the time the warrants are first presented for redemption. The Agency pledges its state foundation aid payments and General Fund receipts as security for the warrants issued.

During the year ended June 30, 2015, the Agency issued \$6,000,000 of anticipatory warrants, at 3.25% interest per annum, resulting in interest paid of \$59,313 on the warrants. As of June 30, 2015, \$6,000,000 of those anticipatory warrants had been redeemed, leaving an unpaid balance at June 30, 2015 of \$-0-.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2015 is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 38,600	\$ -	\$ -	\$ 38,600
Capital assets being depreciated/amortized:				
Buildings	7,717,117	834,767	-	8,551,884
Furniture and equipment	2,387,204	92,442	224,074	2,255,572
Library books, videos, and DVD's	<u>1,383,690</u>	<u>689,187</u>	<u>752,779</u>	<u>1,320,098</u>
Total assets being depreciated/amortized	<u>11,488,011</u>	<u>1,616,396</u>	<u>976,853</u>	<u>12,127,554</u>
Less accumulated depreciation/amortization for:				
Buildings	2,386,467	163,277	-	2,549,744
Furniture and equipment	1,656,222	226,374	216,464	1,666,132
Library books, videos, and DVD's	<u>542,613</u>	<u>335,850</u>	<u>566,891</u>	<u>311,572</u>
Total accumulated depreciation/amortization	<u>4,585,302</u>	<u>725,501</u>	<u>783,355</u>	<u>4,527,448</u>
Total capital assets, being depreciated, net	<u>6,902,709</u>	<u>890,895</u>	<u>193,498</u>	<u>7,600,106</u>
<b>Governmental activities capital assets, net</b>	<u>\$6,941,309</u>	<u>\$ 890,895</u>	<u>\$ 193,498</u>	<u>\$7,638,706</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Student support services	\$ 64,124
Instructional staff support services	338,064
Business administration	13,764
Plant operations and maintenance	153,469
Central and other support services	146,546
Facilities acquisition and construction	<u>9,534</u>
<b>Total depreciation/amortization expense - governmental activities</b>	<u>\$ 725,501</u>

Furniture and equipment within governmental activities includes \$84,154 of equipment acquired under capital leases. Accumulated amortization totaled \$27,261.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Juvenile Home	\$ 27,479
Debt Service	General	104,065
Capital Projects	General	<u>10,498</u>
<b>Total</b>		<b><u>\$142,042</u></b>

**NOTE 6 - LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Certificates					
of participation	\$ 3,360,000	\$3,855,000	\$3,645,000	\$ 3,570,000	\$ 313,000
Capital leases	55,113	18,400	12,447	61,066	16,939
Compensated absences	2,688,248	500,595	489,800	2,699,043	506,073
Net pension liability	18,724,002	-	5,304,848	13,419,154	-
Net OPEB liability	<u>436,000</u>	<u>184,000</u>	<u>61,000</u>	<u>559,000</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 25,263,363</u></b>	<b><u>\$4,557,995</u></b>	<b><u>\$9,513,095</u></b>	<b><u>\$ 20,308,263</u></b>	<b><u>\$ 836,012</u></b>

Certificates of Participation

On October 1, 2014, the Agency issued \$3,855,000 of Refunding Certificates of Participation, Series 2014A, with an interest rate of 2.90%. The Agency issued the bonds to refund the Agency's Certificates of Participation, Series 2005A, dated May 1, 2005 with interest rates ranging from 3.60% to 4.45%.

The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$232,133.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

Annual debt service requirements to maturity of the refunding certificates of participation are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 313,000	\$ 103,530	\$ 416,530
2017	322,000	94,453	416,453
2018	331,000	85,115	416,115
2019	341,000	75,516	416,516
2020	351,000	65,627	416,627
2021-2025	<u>1,912,000</u>	<u>169,534</u>	<u>2,081,534</u>
<b>Total</b>	<b><u>\$3,570,000</u></b>	<b><u>\$ 593,775</u></b>	<b><u>\$4,163,775</u></b>

Payments on the certificates of participation for the year ended June 30, 2015, including interest, totaled \$363,757.

Capital Leases

The Agency has entered into agreements to lease equipment. The agreements are for periods of four to five years at interest rates ranging from .30% to 13% per annum. The leases expire between June 2017 and May 2020 and also require the payment of normal maintenance charges. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized (or depreciated) over the lower of their related lease terms or their estimated productive lives. Amortization (or depreciation) of assets under capital leases is included in depreciation expense. The following is a schedule by year of future minimum lease payments required:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 20,991
2017	20,991
2018	15,471
2019	8,609
2020	<u>3,400</u>
Total minimum lease payments	69,462
Less amount representing interest	<u>(8,396)</u>
Present value of net minimum lease payments	<u>\$ 61,066</u>

Payments under these agreements for the year ended June 30, 2015, including interest, totaled \$17,283.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 7 - OPERATING LEASES**

The Agency leased a satellite facility. The lease has been classified as an operating lease and accordingly, all rent is charged to expenditures as incurred. The lease expired February 28, 2015.

The Agency leased equipment. The lease has been classified as an operating lease and, accordingly, all rent is charged to expenditures as incurred. The lease expired March 24, 2015.

Total rental expenditures for the year ended June 30, 2015 for all operating leases was \$42,575.

**NOTE 8 - PENSION PLAN**

Plan Description - IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employee' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's year of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2013, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent of each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2013, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 8 - PENSION PLAN (CONTINUED)**

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with the regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the members accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Agency contributed 8.93 percent for a total rate of 14.88 percent.

The Agency's contributions to IPERS for the year ended June 30, 2015 were \$2,095,660.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Agency reported a liability of \$13,419,154 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Agency's collective proportion was 0.338362 percent, which is an increase of 0.012256 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Agency recognized pension expense of \$1,013,400. At June 30, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 8 - PENSION PLAN (CONTINUED)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 145,840	\$ -
Changes of assumptions	592,218	-
Net difference between projected and actual earnings on pension plan investments	-	5,117,678
Changes in proportion and differences between Agency contributions and proportionate share of contributions	38,565	-
Agency contributions subsequent to the measurement date	<u>2,095,660</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 2,872,283</u></b>	<b><u>\$ 5,117,678</u></b>

\$2,095,660 reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year Ended June 30,</u>	
2016	\$ (1,097,966)
2017	(1,097,966)
2018	(1,097,966)
2019	(1,097,966)
2020	<u>50,809</u>
<b>Total</b>	<b><u>\$ (4,341,055)</u></b>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 8 - PENSION PLAN (CONTINUED)**

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 8 - PENSION PLAN (CONTINUED)**

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Agency's proportionate share of the net pension liability	\$25,355,114	\$13,419,154	\$ 3,343,967

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the Agency reported payables to the defined benefit pension plan of \$281,029 for legally required employer contributions.

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The Agency operates a self-funded insurance plan which provides medical/prescription drug benefits for retirees and their families. There are 331 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical and prescription drug benefits are provided through the Agency's plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits 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.

The following table shows the components of the Agency's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation:

Annual required contribution	\$ 183,000
Interest on net OPEB obligation	17,000
Adjustment to annual required contribution	<u>(16,000)</u>
Annual OPEB cost	184,000
Contributions made	<u>(61,000)</u>
Increase in net OPEB obligation	123,000
Net OPEB obligation beginning of year	<u>436,000</u>
Net OPEB obligation end of year	<u>\$ 559,000</u>

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

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, 2015.

For the year ended June 30, 2015, the Agency contributed \$61,000 to the medical plan. Plan members eligible for benefits contributed 100% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 106,000	29.25%	\$ 368,000
June 30, 2014	113,000	39.82%	436,000
June 30, 2015	184,000	33.15%	559,000

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,590,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,590,000. The covered payroll (annual payroll of active employees covered by the plan) was \$21,123,642 and the ratio of the UAAL to covered payroll was 7.5%. As of June 30, 2015, 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 for the Retiree Health Plan, 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, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.00% discount rate based on the Agency's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate. An inflation rate of 3.5% is assumed for the purpose of this computation.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Mortality rates are from the RP-2014 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**NOTE 10 - RISK MANAGEMENT**

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

Self-funded insurance plans

The Agency has self-funded health and dental insurance plans. The Agency purchases commercial insurance to provide for aggregate stop-loss health coverage for 125% of the excess of estimated claims for the plan year that exceed \$2,668,142, and specific stop-loss health insurance coverage for claims in excess of \$75,000 for any one covered individual during the plan year.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. That reserve was \$790,565 at June 30, 2015. Changes in the aggregate claims liability for the current year are as follows:

Balance, beginning of year	\$ 1,275,297
Employee paid premiums	2,920,484
Claims paid	(2,973,570)
Fees	<u>(49,196)</u>
Balance, end of year	1,173,015
Claims incurred but not reported	<u>(382,450)</u>
<b>Insurance claims reserve</b>	<b><u>\$ 790,565</u></b>

**NOTE 11 - DEFICIT BALANCES**

The Agency had a governmental activities deficit net position balance of \$14,919,042 at June 30, 2015 primarily due to the net pension liability. The Agency also had deficit fund balances in the General Fund and the Juvenile Home Fund.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 12 - EARLY CHILDHOOD IOWA AREA BOARD**

The Agency is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the Agency's financial statements as an Agency Fund because of the Agency's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2015 is as follows:

	<b>Early Childhood</b>	<b>School Ready</b>	<b>Total</b>
<b>Revenues:</b>			
State grants:			
Early childhood	\$ 115,211	\$ -	\$ 115,211
Family support and parent education	-	213,089	213,089
Preschool support for low-income families	-	91,549	91,549
Quality improvement	-	42,139	42,139
Other grant programs	-	33,763	33,763
Total revenues	115,211	380,540	495,751
<b>Expenditures:</b>			
Program services:			
Early childhood	110,865	-	110,865
Family support and parent education	-	211,907	211,907
Preschool support for low-income families	-	94,440	94,440
Quality improvement	-	39,235	39,235
Other program services	-	23,129	23,129
Total program services	110,865	368,711	479,576
Administration	4,346	11,829	16,175
Total expenditures	115,211	380,540	495,751
Change in fund balance	-	-	-
Fund balance beginning of year	5,931	(5,405)	526
Fund balance end of year	\$ 5,931	\$ (5,405)	\$ 526

**NOTE 13 - SUBSEQUENT EVENT**

On July 1, 2015, the Agency issued taxable anticipatory warrants in an amount not to exceed \$7,000,000 at a rate of 3.25%. The warrants mature on June 30, 2016.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 14 - INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	General	\$ 421,073
Capital Projects	General	33,131
Capital Projects	Debt Service	798,331

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

**NOTE 15 - ACCOUNTING CHANGE/RESTATEMENT**

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27* was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<b>Governmental Activities</b>
Net position June 30, 2014, as previously reported	\$ 4,428,503
Net pension liability at June 30, 2014	(18,724,002)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>1,977,193</u>
Net position July 1, 2014, as restated	<u><u>\$ (12,318,306)</u></u>

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS**

**REQUIRED SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2015

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
		<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>				
Local sources	\$ 11,084,424	\$ 11,686,918	\$ 11,185,958	\$ (101,534)
State sources	11,641,425	13,613,743	12,002,518	(361,093)
Federal sources	11,789,925	11,204,261	11,560,124	229,801
Total revenues	<u>34,515,774</u>	<u>36,504,922</u>	<u>34,748,600</u>	<u>(232,826)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	1,042,932	1,389,676	1,316,471	273,539
Student support services	20,677,908	20,511,230	21,300,972	623,064
Instructional staff support services	10,110,075	8,107,488	9,841,526	(268,549)
General administration	2,356,819	2,040,931	1,136,216	(1,220,603)
Business administration	1,061,359	1,789,300	1,916,739	855,380
Plant operations and maintenance	1,070,969	1,181,928	1,206,015	135,046
Central and other support services	1,428,064	2,887,336	1,182,299	(245,765)
Facilities acquisition and construction	820,964	-	858,331	37,367
Debt service	535,243	363,758	3,469,756	2,934,513
Total expenditures	<u>39,104,333</u>	<u>38,271,647</u>	<u>42,228,325</u>	<u>3,123,992</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(4,588,559)</u>	<u>(1,766,725)</u>	<u>(7,479,725)</u>	<u>2,891,166</u>
Proceeds of capital lease obligations	18,400	-	-	18,400
Proceeds from the issuance of debt	3,855,000	-	3,855,000	-
Principal payments on debt refunding	(3,360,000)	-	-	(3,360,000)
Operating transfers in	1,252,535	363,758	473,087	779,448
Operating transfers out	(1,252,535)	(363,758)	(473,087)	(779,448)
<b>OTHER FINANCING SOURCES (USES), NET</b>	<u>513,400</u>	<u>-</u>	<u>3,855,000</u>	<u>(3,341,600)</u>
<b>CHANGE IN BALANCES</b>	(4,075,159)	(1,766,725)	(3,624,725)	(450,434)
<b>BALANCE BEGINNING OF YEAR</b>	<u>4,050,515</u>	<u>1,766,725</u>	<u>3,736,884</u>	<u>313,631</u>
<b>BALANCE END OF YEAR</b>	<u>\$ (24,644)</u>	<u>\$ -</u>	<u>\$ 112,159</u>	<u>\$ (136,803)</u>

See accompanying independent auditor's report.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -**  
**BUDGETARY REPORTING**  
**June 30, 2015**

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 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, 2015, the Agency's expenditures/expenses did not exceed the approved budget.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR\***

**REQUIRED SUPPLEMENTARY INFORMATION**

	<b>2015</b>
Agency's proportion of the net pension liability (asset)	0.338362%
Agency's proportionate share of the net pension liability (asset)	\$ 13,419,154
Agency's covered-employee payroll	\$ 22,142,576
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.60%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the Agency will present information for those years for which information is available.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
SCHEDULE OF AGENCY CONTRIBUTIONS**

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR**

**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contributions	\$ 2,095,660	\$ 1,977,332	\$ 1,854,676	\$ 1,563,703	\$ 1,516,067	\$ 1,393,435	\$ 1,299,594	\$ 1,136,983	\$ 1,069,772	\$ 1,091,267
Contributions in relation to the statutorily required contribution	<u>(2,095,660)</u>	<u>(1,977,332)</u>	<u>(1,854,676)</u>	<u>(1,563,703)</u>	<u>(1,516,067)</u>	<u>(1,393,435)</u>	<u>(1,299,594)</u>	<u>(1,136,983)</u>	<u>(1,069,772)</u>	<u>(1,091,267)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Agency's covered-employee payroll	\$23,467,637	\$22,142,576	\$21,391,880	\$19,376,741	\$21,813,914	\$20,953,910	\$20,466,047	\$18,793,107	\$18,604,730	\$18,978,557
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying independent auditor's report.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY**  
**Year Ended June 30, 2015**

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY**  
**Year Ended June 30, 2015**

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)/c)</b>
2009	July 1, 2008	-	\$ 2,386,000	\$ 2,386,000	0.00%	\$ 20,815,000	11.5%
2010	July 1, 2008	-	2,386,000	2,386,000	0.00%	19,256,103	12.4%
2011	July 1, 2010	-	2,295,000	2,295,000	0.00%	20,339,289	11.3%
2012	July 1, 2010	-	2,376,000	2,376,000	0.00%	18,529,453	12.8%
2013	July 1, 2012	-	941,000	941,000	0.00%	19,036,297	4.9%
2014	July 1, 2012	-	1,017,000	1,017,000	0.00%	20,647,326	4.9%
2015	July 1, 2014	-	1,590,000	1,590,000	0.00%	21,123,642	7.5%

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

See accompanying independent auditor's report.

**SUPPLEMENTARY INFORMATION**

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2015**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>Special Revenue Juvenile Home</b>	<b>Capital Projects</b>	<b>Total</b>
<b>ASSETS</b>			
Due from other governments	\$ 37,808	\$ -	\$ 37,808
Due from other funds	<u>-</u>	<u>10,498</u>	<u>10,498</u>
Total assets	<u>37,808</u>	<u>10,498</u>	<u>48,306</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
None	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>\$ 37,808</u>	<u>\$ 10,498</u>	<u>\$ 48,306</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Salaries and benefits payable	\$ 10,329	\$ -	\$ 10,329
Due to other funds	<u>27,479</u>	<u>-</u>	<u>27,479</u>
Total liabilities	<u>37,808</u>	<u>-</u>	<u>37,808</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Other	<u>37,808</u>	<u>-</u>	<u>37,808</u>
<b>FUND BALANCES (DEFICITS)</b>			
Restricted for:			
Capital projects	-	10,498	10,498
Unassigned	<u>(37,808)</u>	<u>-</u>	<u>(37,808)</u>
Total fund balances (deficits)	<u>(37,808)</u>	<u>10,498</u>	<u>(27,310)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
	<u>\$ 37,808</u>	<u>\$ 10,498</u>	<u>\$ 48,306</u>

See accompanying independent auditor's report.

MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2015

	<u>Special Revenue Juvenile Home</u>	<u>Capital Projects</u>	<u>Total</u>
<b>REVENUES</b>			
State sources	\$ 318,472	\$ -	\$ 318,472
<b>EXPENDITURES</b>			
Current:			
Instruction	318,128	-	318,128
General administration	38,152	-	38,152
Facilities acquisition and construction	-	820,964	820,964
Total expenditures	<u>356,280</u>	<u>820,964</u>	<u>1,177,244</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(37,808)</u>	<u>(820,964)</u>	<u>(858,772)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>-</u>	<u>831,462</u>	<u>831,462</u>
<b>CHANGE IN FUND BALANCES</b>	(37,808)	10,498	(27,310)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS), END OF YEAR</b>	<u>\$ (37,808)</u>	<u>\$ 10,498</u>	<u>\$ (27,310)</u>

See accompanying independent auditor's report.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**Year Ended June 30, 2015**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 55,703	\$ 488,831	\$ 495,751	\$ 48,783
Due from others	357	150	-	507
Total assets	<u>\$ 56,060</u>	<u>\$ 488,981</u>	<u>\$ 495,751</u>	<u>\$ 49,290</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 440,217	\$ 440,217	\$ -
Advances from grantors	55,534	48,764	55,534	48,764
Due to others	526	-	-	526
Total liabilities	<u>\$ 56,060</u>	<u>\$ 488,981</u>	<u>\$ 495,751</u>	<u>\$ 49,290</u>

See accompanying independent auditor's report.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>										
Local sources	\$ 11,084,424	\$ 9,616,257	\$ 10,581,904	\$ 8,762,310	\$ 11,960,729	\$ 9,765,957	\$ 10,312,994	\$ 9,936,373	\$ 10,203,859	\$ 9,562,624
State sources	11,641,425	12,648,571	10,761,137	11,877,725	10,250,168	11,331,310	11,783,728	10,666,415	9,192,876	8,304,075
Federal sources	<u>11,789,925</u>	<u>12,277,509</u>	<u>11,852,766</u>	<u>11,976,214</u>	<u>14,271,769</u>	<u>20,564,478</u>	<u>13,462,657</u>	<u>11,984,494</u>	<u>12,508,305</u>	<u>14,865,468</u>
<b>TOTAL</b>	<u>\$ 34,515,774</u>	<u>\$ 34,542,337</u>	<u>\$ 33,195,807</u>	<u>\$ 32,616,249</u>	<u>\$ 36,482,666</u>	<u>\$ 41,661,745</u>	<u>\$ 35,559,379</u>	<u>\$ 32,587,282</u>	<u>\$ 31,905,040</u>	<u>\$ 32,732,167</u>
<b>EXPENDITURES</b>										
Current:										
Instruction	\$ 1,042,932	\$ 1,110,103	\$ 1,271,861	\$ 1,328,582	\$ 1,324,736	\$ 1,388,010	\$ 2,394,377	\$ 2,115,309	\$ 2,207,853	\$ 1,867,586
Student support services	20,677,908	19,887,377	19,523,383	18,206,385	19,091,151	23,355,003	17,732,688	15,941,364	16,246,964	16,804,484
Instructional staff support services	10,110,075	9,126,866	8,320,414	7,417,043	8,283,772	8,916,428	8,343,906	7,243,142	7,074,119	7,592,516
General administration	2,356,819	2,630,204	2,349,111	1,734,464	1,915,510	1,817,021	1,640,378	1,572,659	1,569,033	1,762,107
Business administration	1,061,359	1,055,090	971,430	1,090,145	1,294,254	1,303,602	156,199	1,515,757	1,671,336	1,638,475
Plant operations and maintenance	1,070,969	831,058	1,281,388	869,144	724,073	710,611	771,041	808,444	831,913	1,939,328
Central and other support services	1,428,064	1,511,539	1,472,067	2,051,119	1,594,904	1,844,957	2,142,375	1,959,145	2,209,058	1,645,111
Facilities acquisition and construction	820,964	43,683	1,218,422	-	-	-	-	-	-	-
Debt service	<u>535,243</u>	<u>323,505</u>	<u>316,545</u>	<u>317,551</u>	<u>318,364</u>	<u>318,801</u>	<u>319,051</u>	<u>319,114</u>	<u>3,230,840</u>	<u>614,696</u>
<b>TOTAL</b>	<u>\$ 39,104,333</u>	<u>\$ 36,519,425</u>	<u>\$ 36,724,621</u>	<u>\$ 33,014,433</u>	<u>\$ 34,546,764</u>	<u>\$ 39,654,433</u>	<u>\$ 33,500,015</u>	<u>\$ 31,474,934</u>	<u>\$ 35,041,116</u>	<u>\$ 33,864,303</u>

See accompanying independent auditor's report.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2015

<u>Project Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Education:			
Iowa Department of Education:			
Special Education Cluster (IDEA):			
Special Education_Grants to States:			
Part B - Section 611 LEA Flow Through	84.027	FY15	\$ 2,387,285
Part B - Section 611 Service to Handicapped	84.027	FY15	8,181,014
Part B - Section 611 Parent Educator	84.027	4K74-09	128,230
SLP - Leadership	84.027A	004615	1,765
2015 - SSD Summer Institute	84.027A	046815	1,271
PRESS Workshop	84.027A	033815	1,350
Essential Core Elements Training FY13-14	84.027	050914	1,176
Essential Core Elements Training FY14-15	84.027	012415	5,157
			<u>10,707,248</u>
Special Education_Preschool Grants	84.173	14619-09	<u>243,745</u>
<b>Total Special Education Cluster (IDEA)</b>			<u>10,950,993</u>
Career and Technical Education -- Basic Grants to States:			
Perkins - Andrew Consortium	84.048	FY15	24,756
Perkins - Bettendorf Consortium	84.048	FY15	76,937
Perkins - Camanche Consortium	84.048	FY15	23,969
Perkins - Western Consortium	84.048	FY15	43,836
			<u>169,498</u>
Special Education - Grants for Infants and Families	84.181	C12-09	<u>281,152</u>
Safe and Drug-Free Schools and Communities_National Programs	84.184	19615	<u>62,481</u>
English Language Acquisition State Grants	84.365	15ELA-04	<u>237,960</u>
Improving Teacher Quality State Grants	84.367	N/A	<u>22,431</u>
<b>TOTAL</b>			<u>\$ 11,724,515</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Mississippi Bend Area Education Agency 9 and is presented on the modified accrual basis. The information 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.

See accompanying independent auditor's report.

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

To the Board of Directors of  
Mississippi Bend Area Education Agency 9

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mississippi Bend Area Education Agency 9, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Mississippi Bend Area Education Agency 9's basic financial statements and have issued our report thereon dated March 9, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Mississippi Bend Area Education Agency 9'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 Mississippi Bend Area Education Agency 9's internal control. Accordingly, we do not express an opinion on the effectiveness of Mississippi Bend Area Education Agency 9'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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Mississippi Bend Area Education Agency 9's financial statements are free from 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 non-compliance or other matter which is described in Part IV of the accompanying schedule of findings and questioned costs as item 2015-011.

Comments involving statutory and other legal matters about Mississippi Bend Area Education Agency 9's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Mississippi Bend Area Education Agency 9. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## **Mississippi Bend Area Education Agency 9's Responses to Findings**

Mississippi Bend Area Education Agency 9's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Mississippi Bend Area Education Agency 9's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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.

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

*Winkel, Parker & Foster, CPA PC*

Clinton, Iowa  
March 9, 2016

**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

To the Board of Directors of  
Mississippi Bend Area Education Agency 9

**Report on Compliance for Each Major Federal Program**

We have audited Mississippi Bend Area Education Agency 9's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Mississippi Bend Area Education Agency 9's major federal programs for the year ended June 30, 2015. Mississippi Bend Area Education Agency 9's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**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 Mississippi Bend Area Education Agency 9'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 Mississippi Bend Area Education Agency 9's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mississippi Bend Area Education Agency 9's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Mississippi Bend Area Education Agency 9 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, 2015.

## Report on Internal Control Over Compliance

Management of Mississippi Bend Area Education Agency 9 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 Mississippi Bend Area Education Agency 9's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 Mississippi Bend Area Education Agency 9's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 that we consider 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 A-133. Accordingly, this report is not suitable for any other purpose.

*Winkel, Parker & Foster, CPA PC*

Clinton, Iowa  
March 9, 2016

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

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

**Financial Statements**

Type of auditor's report issued: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified?                           yes         x   no
- Significant deficiency(ies) identified?                  yes         x   none reported
- Noncompliance material to financial statements noted?        yes         x   no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?                           yes         x   no
- Significant deficiency(ies) identified?                  yes         x   none reported

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

Unmodified opinion

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>Cluster:</u>	
<u>84.027</u>	<u>Special Education Grants to States</u>
<u>84.173</u>	<u>Special Education Preschool Grants</u>

Dollar threshold used to distinguish between type A and type B programs: \$ 351,735

Auditee qualified as low-risk auditee?                      x   yes              no

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

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

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2015**

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

- 2015-001 Certified Budget - Expenditures during the year ended June 30, 2015 did not exceed the amount budgeted.
- 2015-002 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 2015-003 Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- 2015-004 Business Transactions - No business transactions between the Agency and Agency officials or employees were noted.
- 2015-005 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 the coverage is adequate for current operations.
- 2015-006 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2015-007 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.
- 2015-008 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- 2015-009 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- 2015-010 Early Childhood Iowa Area Board - The Agency is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the Agency's financial statements as an Agency Fund because of the Agency's fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.

**MISSISSIPPI BEND AREA EDUCATION AGENCY 9**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2015**

**Part IV: Other Findings Related to Required Statutory Reporting: (continued)**

2015-011 Financial Condition - The Agency's governmental activities had a deficit net position of \$14,919,042 at June 30, 2015. The Agency also had deficit fund balances in the General Fund and the Juvenile Home Fund at June 30, 2015.

Recommendation - The Agency should investigate alternatives to eliminate these deficits and to return these funds to a sound financial position.

Response - The deficit net position is the result of recognizing the Agency's proportionate share of IPERS' net pension liability. The Agency realizes this liability is not due and payable immediately. Rather the pension liability will be paid down over a period of time with the Agency's future employer share of IPERS contributions. The deficit fund balances in the General Fund and the Juvenile Home Fund will be eliminated upon the receipt of funds owed to the Agency but not yet received as of year-end.

Conclusion - Response accepted.

March 9, 2016

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mississippi Bend Area Education Agency 9 for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 20, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mississippi Bend Area Education Agency 9 are described in Note 1 to the financial statements. Mississippi Bend Area Education Agency 9 adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. 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. We noted no transactions entered into by Mississippi Bend Area Education Agency 9 during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting Mississippi Bend Area Education Agency 9's financial statements was:

Management's estimate of the Net Pension Liability, Net OPEB Obligation and the IBNR are based on independently performed actuarial studies. We evaluated the key factors and assumptions used to develop the liability estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 9, 2016.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Mississippi Bend Area Education Agency 9's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Mississippi Bend Area Education Agency 9's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison information, the schedule of the Agency's proportionate share of the net pension liability, the schedule of Agency contributions and the schedule of funding progress for the retiree health plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Schedules 1 through 5, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Audit Committee, Board of Directors and management of Mississippi Bend Area Education Agency 9 and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Winkel, Parker & Foster, CPA PC*

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