

**AREA EDUCATION AGENCY 267
CEDAR FALLS, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

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Officials

Name	Title	Term Expires
Board of Directors (Before September, 2013)		
Charlotte Upah	President	September 30, 2015
Roberta Kraft-Abrahamson	Vice President	September 30, 2013
David Giese	Member	September 30, 2015
Darshini Jayawardena	Member	September 30, 2015
Dr. George North	Member	September 30, 2015
Dr. Debra Rich	Member	September 30, 2013
Bernice Richard	Member	September 30, 2015
Richard Vande Kieft	Member	September 30, 2013
Barbara Opheim (appointed November, 2012)	Member	September 30, 2013
 (After September, 2013)		
Charlotte Upah	President	September 30, 2015
Roberta Kraft-Abrahamson	Vice President	September 30, 2017
David Giese	Member	September 30, 2015
Darshini Jayawardena	Member	September 30, 2015
Dr. George North	Member	September 30, 2015
Dr. Debra Rich	Member	September 30, 2017
Bernice Richard	Member	September 30, 2015
Richard Vande Kieft	Member	September 30, 2017
Bryan Burton	Member	September 30, 2017
 Agency		
Roark Horn	Chief Administrator	
David Nicholson	Chief Financial Officer and Treasurer (hired January, 2013)	
Dennis Scudder	Finance Director and Treasurer (retired February, 2013)	
Kerri Wilson	Board Secretary	

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Independent Auditor's Report

Board of Directors
Area Education Agency 267
Cedar Falls, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Area Education Agency 267 as of and for the year ended June 30, 2014, and the related notes to the financial statements, and the discretely presented component units as of and for the year ended December 31, 2013 and June 30, 2014, which collectively comprise the Agency's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Area Education Agency 267 as of June 30, 2014 and the discretely presented component units as of December 31, 2013 and June 30, 2014, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 4 through 9 and 33 through 34 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Area Education Agency 267'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 eight years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information on pages 35 through 43, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 January 22, 2015 on our consideration of Area Education Agency 267's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
January 22, 2015

**AREA EDUCATION AGENCY 267
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Area Education Agency 267 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

General Fund revenue decreased from \$46,453,155 in fiscal year 2013 to \$45,553,406 in fiscal year 2014. General Fund expenditures and other financing uses decreased from \$46,369,606 in fiscal year 2013 to \$45,562,244 in fiscal year 2014. The decrease in General Fund revenue of \$899,749 was mostly attributed to the a reduction of federal funds and the closure of an instructional program in Waterloo. The decrease in expenditures was due to the closure of an instructional program in Waterloo and the reduction of LEA part B flow through dollars.

The General Fund balance decreased from \$5,472,997 as of the end of fiscal year 2013 to \$5,464,159 as of the end of fiscal year 2014. The fund balance consists of a nonspendable fund balance of \$180,156, a restricted fund balance of \$1,384,797, a committed fund balance of \$150,000, an assigned balance of \$2,184 and an unassigned balance of \$3,747,022. The unassigned fund balance as of the end of the year 2014 represents approximately 8% of the 2014 fiscal year expenditures and other financing uses.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-Wide Financial Statements consist of a statement of net position and a statement of activities. These provide information about the activities of Area Education Agency 267 as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the Government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.
- Supplementary Information provides detailed information about the nonmajor funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the Agency.

Reporting the Agency as a Whole

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, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

- *Governmental activities:* Most of the Agency's basic services are included here, such as regular and special education instruction, student and instructional staff support services and administration. Local school districts, federal and state aid finance most of these activities.
- *Business-type activities:* The Agency charges fees to help cover the costs of certain services it provides. The Agency's nutrition and technology and repair services programs are included here.

Fund Financial Statements

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

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

The Agency has three 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 statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. The Agency's governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, (c) the Debt Service Fund and (d) the Capital Projects Fund.

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

- Proprietary funds account for services for which the Agency charges a fee. Proprietary funds are reported in the same way as the Government-wide statements. The Agency's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provides more detail and additional information, such as cash flows. The Agency currently has two Enterprise Funds – the Nutrition Fund and Technology and Repair Services Fund.

The required financial statements for the proprietary funds include a statement of net position, a statement of revenue, expenses and changes in net position and a statement of cash flows.

- Fiduciary funds are funds through which the Agency administers and accounts for certain federal and/or state grants on behalf of Cedar Valley's Promise and certain revenue collected for Agency employee purchases of pop and related expenditures. The Agency is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The Agency excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Area Education Agency 267's net position as of the end of fiscal year 2014 totaled approximately \$12.5 million. This compared to approximately \$13.2 million as of the end of fiscal year 2013. The analysis that follows provides a summary of the Agency's net position as of June 30, 2014 for the governmental and business-type activities:

	Condensed Statement of Net Position					
	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013
Current and other assets.....	\$ 12,127,287	\$ 11,797,303	\$ 489,572	\$ 370,834	\$ 12,616,859	\$ 12,168,137
Capital assets	8,181,841	8,986,201	19,036	22,081	8,200,877	9,008,282
Total Assets	20,309,128	20,783,504	508,608	392,915	20,817,736	21,176,419
Long-term obligations	1,255,810	1,590,339	—	—	1,255,810	1,590,339
Other liabilities	6,922,721	6,324,306	38,790	22,743	6,961,511	6,347,049
Total Liabilities	8,178,531	7,914,645	38,790	22,743	8,217,321	7,937,388
Deferred Inflows of						
Resources	50,424	—	—	—	50,424	—
Net Position						
Net investment in capital assets....	8,181,841	8,861,201	19,036	22,081	8,200,877	8,883,282
Restricted.....	1,384,797	1,374,471	—	—	1,384,797	1,374,471
Unrestricted	2,513,535	2,633,187	450,782	348,091	2,964,317	2,981,278
Total Net Position	\$ 12,080,173	\$ 12,868,859	\$ 469,818	\$ 370,172	\$ 12,549,991	\$ 13,239,031

The Agency's combined net position decreased by 5.2% or approximately \$689,000 from fiscal year 2013. The decrease occurred primarily in the governmental funds as a result of a decrease in net investment in capital assets due to depreciation and disposal of assets. Overall, net investment in capital assets decreased \$807,405, or 8.9%.

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

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013
Revenue						
Program Revenue						
Charges for service	\$ 8,354,874	\$ 11,664,480	\$ 541,921	\$ 666,585	\$ 8,896,795	\$ 12,331,065
Operating grants and contributions	21,194,631	22,909,964	46,512	83,444	21,241,143	22,993,408
General Revenue						
Property tax, levied	11,777,917	11,550,778	—	—	11,777,917	11,550,778
State foundation aid	12,180,765	11,254,497	—	—	12,180,765	11,254,497
Unrestricted investment earnings	2,212	4,841	—	—	2,212	4,841
Total Revenue	<u>53,510,399</u>	<u>57,384,560</u>	<u>588,433</u>	<u>750,029</u>	<u>54,098,832</u>	<u>58,134,589</u>
Program Expenses						
Instruction	10,484,237	13,752,455	—	—	10,484,237	13,752,455
Student support services	20,893,762	17,064,659	—	—	20,893,762	17,064,659
Instructional staff support services	11,562,222	11,411,002	—	—	11,562,222	11,411,002
General administration	5,674,351	5,745,426	—	—	5,674,351	5,745,426
Business administration	3,290,788	3,391,460	—	—	3,290,788	3,391,460
Plant operations and maintenance	1,984,495	2,203,824	—	—	1,984,495	2,203,824
Central and other support services	229,118	1,015,078	—	—	229,118	1,015,078
Long-term debt interest	159,800	9,743	—	—	159,800	9,743
Noninstructional programs	5,063	137,378	504,036	559,502	509,099	696,880
Total Expenses	<u>54,283,836</u>	<u>54,731,025</u>	<u>504,036</u>	<u>559,502</u>	<u>54,787,872</u>	<u>55,290,527</u>
Change in Net Position Before Other Financing Sources	(773,437)	2,653,535	84,397	190,527	(689,040)	2,844,062
Other Financing Sources (Uses)	<u>(15,249)</u>	<u>(3,465,269)</u>	<u>15,249</u>	<u>5,275</u>	<u>—</u>	<u>(3,459,994)</u>
Increase (Decrease) in Net Position	(788,686)	(811,734)	99,646	195,802	(689,040)	(615,932)
Net Position - Beginning of Year .	<u>12,868,859</u>	<u>13,680,593</u>	<u>370,172</u>	<u>174,370</u>	<u>13,239,031</u>	<u>13,854,963</u>
Net Position - End of Year	<u>\$ 12,080,173</u>	<u>\$ 12,868,859</u>	<u>\$ 469,818</u>	<u>\$ 370,172</u>	<u>\$ 12,549,991</u>	<u>\$ 13,239,031</u>

Operating grants and contributions from local, state and federal sources, property taxes and unrestricted state aid account for 84.3% of the total revenue. A substantial percentage of the remaining revenue comes from tuition charges for special education instructional programs. The Agency's expenses primarily relate to instruction, student support services and instructional staff support services which account for 78.4% of the total expenses.

Governmental Activities

Revenue for governmental activities was \$53,510,399 and expenses and other financing uses were \$54,299,085.

Business-Type Activities

Revenue of the Agency's Business-Type Activities totaled \$588,433, A 27.5% decrease from the prior year and expenses were \$504,036, a 9.9% decrease from the prior year. A transfer of \$15,249 was made to the Nutrition Fund from the General Fund to defer costs in the Nutrition Fund. The decrease in revenue and expenses is due to the amount of equipment repair jobs handled by our Agency.

Revenue from these activities is comprised of charges for services and state and federal grants. Expenses totaled \$80,993 and \$423,043 for the Nutrition Fund and Technology and Repair Services Fund, respectively.

INDIVIDUAL FUND ANALYSIS

As previously noted, Area Education Agency 267 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's governmental funds reported combined fund balances of \$5,464,159, which is a decrease from the beginning of the year fund balances of \$5,472,997. The primary reason for the small decrease in the combined fund balance is due to the Agency efforts to cut and control costs in order to maintain the fund balance at the same level.

Governmental Fund Highlights

The General Fund balance decreased only slightly due to the Agency cost-cutting efforts to maintain its fund balance.

BUDGETARY HIGHLIGHTS

The Agency's Board of Directors annually adopts a budget on a basis consistent with accounting principles generally accepted in the United States of America. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure level, not at the fund or fund-type level.

Over the course of the year, the Agency amended its budget once to reflect the decrease in revenue and expenditures associated with less local and state and federal revenue. The Agency's total revenue was \$402,453 less than budgeted revenue, a variance of 0.7%. Total expenditures were \$497,525 less than budgeted, a variance of 1.0%.

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 on page 33.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the Agency had invested \$8,200,877, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers and audio-visual equipment. This is a net decrease of \$807,405 from the beginning of the year.

Area Education Agency 267 reported depreciation expense of \$1,138,206 in fiscal year 2014 and total accumulated depreciation of \$14,814,780 as of June 30, 2014. More detailed information about capital assets is available in Note 4 to the financial statements.

Long-Term Debt

A summary of the Agency's long-term debt is summarized below.

	<u>Balance - June 30,</u>	
	<u>2014</u>	<u>2013</u>
Capital lease.....	<u>\$ —</u>	<u>\$ 125,000</u>

More detailed information about the Agency's long-term liabilities is available in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

- It has been difficult financially for the AEA over the past several years, but the Agency is coming off of one of the better years. In FY 15, the Agency received 4% in supplemental state aid and the State restored \$5 million of the \$20 million dollar targeted reduction. Going into FY 16 there are some critical unknowns; the legislature did not set the supplemental state aid rate and there could be some federal funding reductions in addressing the deficit. The Agency plans on using available fund balance to offset the impact of state and federal funding cuts.
- Stable enrollment is critical in maintaining sound financial position. The Agency has had several years of declining enrollment but has experienced two consecutive years of increased enrollment. This growth trend is not continuing into FY 16. Our preliminary enrollment figures show our enrollment dropping approximately 71 students or 0.11%.
- Health insurance can have a profound impact of negotiated settlements with the various employee groups. Our insurance costs have been trending upward and it appears our increase will be limited to Wellmark's book of business trend. Unfortunately Wellmark's trend is projected to increase by 8% to 10% due to the requirements of the Affordable Care Act.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer's office of Area Education Agency 267, 3712 Cedar Heights Drive, Cedar Falls, Iowa 50613-6290.

Basic Financial Statements

Statement of Net Position

As of June 30, 2014

	Governmental Activities	Business- Type Activities	Total	Component Units	
				AEA6 Foundation	AEA267 Foundation
Assets					
Cash, cash equivalents and investments.....	\$ 7,808,502	\$ 300,912	\$ 8,109,414	\$ 703,866	\$ 107,367
Receivables					
Accounts	1,206,798	147,010	1,353,808	—	—
Due from other governments	2,930,973	—	2,930,973	—	—
Inventories.....	61,861	41,650	103,511	—	—
Prepaid expenses	119,153	—	119,153	—	—
Capital assets, net of accumulated depreciation.....	8,181,841	19,036	8,200,877	—	—
Total Assets.....	\$ 20,309,128	\$ 508,608	\$ 20,817,736	\$ 703,866	\$ 107,367
Liabilities, Deferred Inflows of Resources and Net Position					
Liabilities					
Accounts payable.....	\$ 643,554	\$ 38,790	\$ 682,344	\$ —	\$ 50,000
Salaries and benefits payable.....	5,969,150	—	5,969,150	—	—
Long-Term Liabilities					
Portion Due or Payable Within One Year					
Compensated absences	310,017	—	310,017	—	—
Portion Due or Payable After One Year					
Net OPEB liability.....	1,255,810	—	1,255,810	—	—
Total Liabilities	8,178,531	38,790	8,217,321	—	50,000
Deferred Inflows of Resources					
Advanced payments.....	50,424	—	50,424	—	—
Net Position					
Net investment in capital assets	8,181,841	19,036	8,200,877	—	—
Restricted for					
Categorical funding.....	813,829	—	813,829	—	—
Media materials.....	570,968	—	570,968	—	—
Unrestricted.....	2,513,535	450,782	2,964,317	703,866	57,367
Total Net Position.....	12,080,173	469,818	12,549,991	703,866	57,367
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 20,309,128	\$ 508,608	\$ 20,817,736	\$ 703,866	\$ 107,367

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue		Net (Expenses), Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	AEA6 Foundation	AEA267 Foundation
Governmental Activities								
Regular instruction.....	\$ 10,484,237	\$ 7,374,711	\$ 1,381,314	\$ (1,728,212)	\$ —	\$ (1,728,212)	\$ —	\$ —
Student support services	20,893,762	38,545	18,161,122	(2,694,095)	—	(2,694,095)	—	—
Instructional staff support services.....	11,562,222	787,668	1,652,195	(9,122,359)	—	(9,122,359)	—	—
General administration	5,674,351	—	—	(5,674,351)	—	(5,674,351)	—	—
Business administration.....	3,290,788	—	—	(3,290,788)	—	(3,290,788)	—	—
Plant operations and maintenance	1,984,495	—	—	(1,984,495)	—	(1,984,495)	—	—
Central and other support services	229,118	153,950	—	(75,168)	—	(75,168)	—	—
Noninstructional programs.....	159,800	—	—	(159,800)	—	(159,800)	—	—
Interest on long-term debt.....	5,063	—	—	(5,063)	—	(5,063)	—	—
Total Governmental Activities.....	54,283,836	8,354,874	21,194,631	(24,734,331)	—	(24,734,331)	—	—
Business-Type Activities								
Noninstructional Programs								
Nutrition services.....	80,993	22,196	46,512	—	(12,285)	(12,285)	—	—
Technology and repair services.....	423,043	519,725	—	—	96,682	96,682	—	—
Total Business-Type Activities.....	504,036	541,921	46,512	—	84,397	84,397	—	—
Total	\$ 54,787,872	\$ 8,896,795	\$ 21,241,143	(24,734,331)	84,397	(24,649,934)	—	—
Component Units								
AEA6 Foundation	\$ 44,740	\$ —	\$ —	—	—	—	(44,740)	—
AEA267 Foundation	\$ 124,439	\$ —	\$ 55,934	—	—	—	—	(68,505)
General Revenue								
Property tax levied for general purposes				11,777,917	—	11,777,917	—	—
State foundation aid.....				12,180,765	—	12,180,765	—	—
Unrestricted investment earnings				2,212	—	2,212	(33,449)	—
Transfers				(15,249)	15,249	—	—	44
Total General Revenue				23,945,645	15,249	23,960,894	(33,449)	44
Change in Net Position				(788,686)	99,646	(689,040)	(78,189)	(68,461)
Net Position - Beginning of Year.....				12,868,859	370,172	13,239,031	782,055	125,828
Net Position - End of Year.....				\$ 12,080,173	\$ 469,818	\$ 12,549,991	\$ 703,866	\$ 57,367

Balance Sheet - Governmental Funds

As of June 30, 2014

	General	Special Revenue Special Education Instruction	Nonmajor Governmental Funds	Total
Assets				
Cash and cash equivalents.....	\$ 7,808,502	\$ —	\$ —	\$ 7,808,502
Receivables				
Accounts	1,198,743	—	8,055	1,206,798
Due from other governments	1,394,959	1,536,014	—	2,930,973
Due from other funds	1,466,132	—	72,713	1,538,845
Inventories.....	61,861	—	—	61,861
Prepaid expenses.....	118,296	857	—	119,153
Total Assets	<u>\$ 12,048,493</u>	<u>\$ 1,536,871</u>	<u>\$ 80,768</u>	<u>\$ 13,666,132</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 492,583	\$ 70,739	\$ 80,232	\$ 643,554
Salaries and benefits payable	5,968,614	—	536	5,969,150
Due to other funds.....	72,713	1,466,132	—	1,538,845
Total Liabilities	<u>6,533,910</u>	<u>1,536,871</u>	<u>80,768</u>	<u>8,151,549</u>
Deferred Inflows of Resources				
Advanced payments.....	<u>50,424</u>	—	—	<u>50,424</u>
Fund Balances				
Nonspendable				
Inventories	61,861	—	—	61,861
Prepaid expenditures	118,295	—	—	118,295
Restricted for				
Categorical funding.....	813,829	—	—	813,829
Media materials.....	570,968	—	—	570,968
Committed for retro worker's compensation program	150,000	—	—	150,000
Assigned	2,184	—	—	2,184
Unassigned	3,747,022	—	—	3,747,022
Total Fund Balances	<u>5,464,159</u>	<u>—</u>	<u>—</u>	<u>5,464,159</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,048,493</u>	<u>\$ 1,536,871</u>	<u>\$ 80,768</u>	<u>\$ 13,666,132</u>

See accompanying notes to the financial statements.

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

As of June 30, 2014

Total Fund Balances for Governmental Funds (Page 12).... **\$ 5,464,159**

***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 \$22,991,291 and the accumulated depreciation is \$14,809,450.....

8,181,841

Long-term liabilities, including compensated absences and other post-employment benefits are not due and payable in the current year and, therefore, are not reported in the governmental funds.

Compensated absences.....
Net OPEB liabilities

\$ (310,017)
(1,255,810)

(1,565,827)

Net Position of Governmental Activities (Page 10)

\$ 12,080,173

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

Year Ended June 30, 2014

	General	<u>Special Revenue</u> Special Education Instruction	Nonmajor Governmental Funds	Total
Revenue				
Local sources	\$ 14,095,167	\$ 6,645,613	\$ —	\$ 20,740,780
State sources	15,335,213	283,447	1,027,933	16,646,593
Intermediate sources	113,644	—	—	113,644
Federal sources	<u>15,979,439</u>	<u>—</u>	<u>—</u>	<u>15,979,439</u>
Total Revenue	<u>45,523,463</u>	<u>6,929,060</u>	<u>1,027,933</u>	<u>53,480,456</u>
Expenditures				
Current				
Instruction	3,520,112	5,793,442	939,090	10,252,644
Student support services	17,561,662	148,613	—	17,710,275
Instructional staff support services	11,036,962	92,306	2,172	11,131,440
General administration	4,786,158	749,835	82,390	5,618,383
Business administration	3,256,367	—	—	3,256,367
Plant operations and maintenance	1,722,857	10,661	4,281	1,737,799
Central and other support services	32	134,203	—	134,235
Noninstructional programs	159,800	—	—	159,800
Facilities acquisition and construction	—	—	234,792	234,792
Debt service	—	—	130,063	130,063
Total Expenditures	<u>42,043,950</u>	<u>6,929,060</u>	<u>1,392,788</u>	<u>50,365,798</u>
Revenue Over (Under) Expenditures	<u>3,479,513</u>	<u>—</u>	<u>(364,855)</u>	<u>3,114,658</u>
Other Financing Sources (Uses)				
LEA flow through	(3,138,190)	—	—	(3,138,190)
Transfers, net	(380,104)	—	364,855	(15,249)
Proceeds from sale of equipment	<u>29,943</u>	<u>—</u>	<u>—</u>	<u>29,943</u>
Total Other Financing Sources (Uses)	<u>(3,488,351)</u>	<u>—</u>	<u>364,855</u>	<u>(3,123,496)</u>
Net Change in Fund Balances ...	(8,838)	—	—	(8,838)
Fund Balances - Beginning of Year	<u>5,472,997</u>	<u>—</u>	<u>—</u>	<u>5,472,997</u>
Fund Balances - End of Year	<u>\$ 5,464,159</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,464,159</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds (Page 14)	\$	(8,838)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlays.....	\$ 387,586		
Depreciation expense.....	(1,135,161)		
Net book value of disposed assets.....	<u>(56,785)</u>		(804,360)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			125,000
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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.....	\$ 15,322		
Other post-employment benefits.....	<u>(115,810)</u>		<u>(100,488)</u>

Change in Net Position of Governmental Activities (Page 11)	\$	<u>(788,686)</u>
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Statement of Net Position - Proprietary Funds

As of June 30, 2014

	Nonmajor Proprietary Funds
Assets	
Current Assets	
Cash and cash equivalents.....	\$ 300,912
Accounts receivable	147,010
Inventories.....	<u>41,650</u>
Total Current Assets	<u>489,572</u>
Capital Assets, Net of Accumulated Depreciation	<u>19,036</u>
Total Assets	<u>\$ 508,608</u>
 Liabilities and Net Position	
Current Liabilities	
Accounts payable	<u>\$ 38,790</u>
 Net Position	
Investment in capital assets.....	19,036
Unrestricted.....	<u>450,782</u>
Total Net Position	<u>469,818</u>
Total Liabilities and Net Position	<u>\$ 508,608</u>

Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds

Year Ended June 30, 2014

	Nonmajor Proprietary Funds
Operating Revenue	
Charges for services.....	<u>\$ 541,921</u>
Operating Expenses	
Noninstructional Programs	
General Administration	
Purchased services.....	<u>194</u>
Plant Operations and Maintenance	
Purchased services.....	1,651
Materials and supplies.....	11,813
Depreciation.....	<u>3,045</u>
Total Plant Operations and Maintenance.....	<u>16,509</u>
Central and Other Support Services	
Salaries.....	159,244
Benefits.....	61,056
Purchased services.....	459
Materials and supplies.....	184,647
Miscellaneous.....	<u>934</u>
Total Central and Other Support Services.....	<u>406,340</u>
Food Service Operations	
Salaries.....	26,159
Benefits.....	5,222
Purchased services.....	213
Materials and supplies.....	<u>49,399</u>
Total Food Service Operations.....	<u>80,993</u>
Total Operating Expenses	<u>504,036</u>
Income From Operations	<u>37,885</u>
Nonoperating Revenue	
State sources.....	606
Federal sources.....	<u>45,906</u>
Total Nonoperating Revenue	<u>46,512</u>
Change in Net Position Before Transfers	84,397
Transfers in.....	<u>15,249</u>
Change in Net Position	99,646
Net Position - Beginning of Year.....	<u>370,172</u>
Net Position - End of Year	<u>\$ 469,818</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2014

	Nonmajor Proprietary Funds
Cash Flows From Operating Activities	
Cash received from customers	\$ 541,900
Cash paid to employees for services	(252,780)
Cash paid to suppliers for goods and services.....	<u>(227,123)</u>
Net Cash Provided by Operating Activities	<u>61,997</u>
Cash Flows From Noncapital Financing Activities	
State grants received.....	606
Federal grants received.....	40,141
Transfers in	<u>15,249</u>
Net Cash Provided by Noncapital Financing Activities	<u>55,996</u>
Net Increase in Cash and Cash Equivalents.....	117,993
Cash and Cash Equivalents at Beginning of Year	<u>182,919</u>
Cash and Cash Equivalents at End of Year	<u>\$ 300,912</u>
Reconciliation of Income From Operations to Net Cash Provided by Operating Activities	
Income from operations	\$ 37,885
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities	
Commodities used.....	5,765
Depreciation	3,045
Increase in accounts receivable	(21)
Decrease in inventories	(724)
Increase in accounts payable	17,146
Decrease in salaries and benefits payable	<u>(1,099)</u>
Net Cash Provided by Operating Activities	<u>\$ 61,997</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2014, the Agency received \$5,765 of federal commodities.

Statement of Fiduciary Assets and Liabilities - Agency Fund ---

As of June 30, 2014

Assets

Cash and cash equivalents..... \$ 339,731

Liabilities

Accounts payable \$ 89,194

Deposits held in custody for others..... 250,537

Total Liabilities \$ 339,731

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Organization and Function

Area Education Agency 267 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 56 school districts and 28 private schools in an 18-county area. The Agency is governed by a Board of Directors whose members are elected on a nonpartisan basis.

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

Reporting Entity

For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency.

These financial statements present Area Education Agency 267 and its component units. The component units discussed below are included in the Agency's reporting entity because of the significance of the operational or financial relationship with the Agency.

Discretely Presented Component Units

The AEA6 Foundation (Foundation) is a legally separate entity, organized as a charitable organization under Chapter 501(c)(3) of the Internal Revenue Code. The Foundation's primary purpose is to collect funds and provide financial support for a swimming pool operated by Area Education Agency 267. The Foundation is governed by a seven-member Board of Directors. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The financial information presented is as of and for its year end of December 31, 2013.

During the Agency's fiscal year ended June 30, 2014, the Foundation provided the Agency \$45,375 for costs associated with the swimming pool.

The AEA267 Foundation (267 Foundation) is a legally separate entity, organized as a charitable organization under Chapter 501(c)(3) of the Internal Revenue Code. The 267 Foundation's primary purpose is to collect funds and provide financial support for the Agency. The 267 Foundation is governed by a seven-member Board of Directors. In accordance with criteria set forth by the Governmental Accounting Standards Board, the 267 Foundation meets the definition of a component unit which should be discretely presented. The financial information presented is as of and for its year end of June 30, 2014.

During the Agency's fiscal year ended June 30, 2014, the 267 Foundation donated to the Agency \$124,285 towards River Hills School repairs and remodeling expenses. The 267 Foundation also owed the Agency \$50,000 as of June 30, 2014.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but 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 revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenue are reported instead as general revenue.

Fund Financial Statements

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

The Agency had the following major governmental funds:

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

The Special Revenue, Special Education Instruction Fund is used to account for programs where the Agency employs educators and other professionals to provide instruction to special education pupils. The actual costs of providing instructional services to the pupils are billed to the individual school districts.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Proprietary funds are used to record services for which the Agency charges the districts and other departments a fee. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The Agency did not report any major proprietary funds:

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

Measurement Focus and Basis of Accounting

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

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

Intergovernmental revenue (shared revenue, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of the grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants and general revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Agency's policy to first apply cost-reimbursement grant resources to such programs and then general revenue.

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Assets, Liabilities and Fund Equity

Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits and money market funds. Component unit investments are stated at fair value on the statement of net position. The Agency held no investments at June 30, 2014.

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

Inventories

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

Capital Assets

Capital assets, which include property, furniture and equipment, construction in progress and intangibles, are reported in the applicable governmental or business-type 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 value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Land.....	\$ 2,000
Buildings	10,000
Improvements other than buildings	2,000
Intangibles.....	200,000
Furniture and equipment	2,000
Library books and films	No threshold

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

Asset Class	Estimated Useful Lives
Buildings	50 Years
Improvements other than buildings	20 - 30 Years
Intangibles.....	2 - 10 Years
Furniture and equipment	5 - 20 Years
Library books and films	5 Years

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.

(1) Summary of Significant Accounting Policies and Other Matters

Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the statement of net position representing the Agency's commitment to fund noncurrent compensated absences. This liability has been computed based on rates of pay in effect as of June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

Long-Term Liabilities

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

Deferred Inflows of Resources

Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists mainly of charges for services collected but not earned by year end.

Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

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

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

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

Assigned - Amounts the Board of Directors intends to use for a specific purpose.

Unassigned - All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Investments

The Agency's deposits in banks as of June 30, 2014 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure that there will be no loss of public funds.

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

The Agency held no investments as of June 30, 2014. The component unit, AEA6 Foundation, investments are shown below.

Interest Rate Risk

The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

Credit Risk

Cash and investments of the following component unit are stated at fair value and are summarized as follows as of December 31, 2013:

AEA6 Foundation

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market funds	\$ 35,738	\$ 35,738	\$ —
U.S. Treasury securities	84,917	88,820	3,903
Unit trusts	<u>622,760</u>	<u>579,308</u>	<u>(43,452)</u>
	<u>\$ 743,415</u>	<u>\$ 703,866</u>	<u>\$ (39,549)</u>

Earnings on the investments are made up of interest and the change in unrealized and realized gains and losses for the year as follows:

Interest income (net of expense)	\$ 38,298
Net unrealized loss	(70,961)
Net realized loss	<u>(786)</u>
	<u>\$ (33,449)</u>

Notes to the Financial Statements

(3) Iowa School Cash Anticipation Program (ISCAP)

The Agency participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by an annual issuance of anticipatory warrants. The warrant sizing of each participating entity is based on a projection of cash flow needs during the fiscal year. Bankers Trust Company, N.A. is the trustee of the program.

The Agency pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The Agency must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2013-2014 ONE included taxable warrants only. The interest rates on the taxable Series 2013-2014 ONE warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 105 basis points. The LIBOR rate at June 30, 2014 was 0.1524%. A summary of the Agency's ISCAP activity for the year ended June 30, 2014 is as follows:

Series	Balance - Beginning of Year	Advances Received	Advances Repaid	Balance - End of Year
2013-14 ONE	<u>\$ —</u>	<u>\$ 5,030,000</u>	<u>\$ 5,030,000</u>	<u>\$ —</u>

During the year ended June 30, 2014, the Agency paid \$8,259 of interest on the ISCAP warrants.

(4) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	<u>\$ 809,308</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 809,308</u>
Capital Assets Being Depreciated				
Buildings and improvements	11,288,841	—	—	11,288,841
Furniture and equipment	6,442,584	165,627	632,435	5,975,776
Library books and films	<u>5,426,282</u>	<u>221,959</u>	<u>730,875</u>	<u>4,917,366</u>
Total Capital Assets				
Being Depreciated.....	<u>23,157,707</u>	<u>387,586</u>	<u>1,363,310</u>	<u>22,181,983</u>
Less Accumulated Depreciation For				
Buildings and improvements	5,322,021	318,113	—	5,640,134
Furniture and equipment	5,418,430	247,001	575,650	5,089,781
Library books and films	<u>4,240,363</u>	<u>570,047</u>	<u>730,875</u>	<u>4,079,535</u>
Total Accumulated Depreciation	<u>14,980,814</u>	<u>1,135,161</u>	<u>1,306,525</u>	<u>14,809,450</u>
Net Total Capital Assets Being Depreciated.....	<u>8,176,893</u>	<u>(747,575)</u>	<u>56,785</u>	<u>7,372,533</u>
Net Governmental Activities				
Capital Assets.....	<u>\$ 8,986,201</u>	<u>\$ (747,575)</u>	<u>\$ 56,785</u>	<u>\$ 8,181,841</u>

Notes to the Financial Statements

(4) Capital Assets

Depreciation expense was charged to the following functions:

Governmental Activities	
Instruction	\$ 252,293
Student support services	6,696
Instructional staff support services	657,238
General administration	85,689
Business administration	28,889
Plant operations and maintenance	10,455
Central and other support services	93,901
Total Governmental Activities Depreciation Expense	<u>\$ 1,135,161</u>

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Business-Type Activities				
Furniture and equipment	\$ 24,366	\$ —	\$ —	\$ 24,366
Less accumulated depreciation	<u>2,285</u>	<u>3,045</u>	<u>—</u>	<u>5,330</u>
Net Business-Type Activities.....	<u>\$ 22,081</u>	<u>\$ (3,045)</u>	<u>\$ —</u>	<u>\$ 19,036</u>

Depreciation expense for business-type activities was \$3,045.

(5) Long-Term Liabilities

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

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
Capital lease.....	\$ 125,000	\$ —	\$ 125,000	\$ —	\$ —
Compensated absences....	325,339	310,017	325,339	310,017	310,017
Net OPEB liability	<u>1,140,000</u>	<u>115,810</u>	<u>—</u>	<u>1,255,810</u>	<u>—</u>
	<u>\$ 1,590,339</u>	<u>\$ 425,827</u>	<u>\$ 450,339</u>	<u>\$ 1,565,827</u>	<u>\$ 310,017</u>

Capital Lease

On September 15, 2004, the Agency entered into a capital lease agreement with a bank. The agreement is for a period of ten years ending in June, 2014 at interest rates ranging from 2.1% to 4.05%. This lease is secured by land and a building. The lease was paid in full during the year ended June 30, 2014.

Payments on the capital lease for the year ended June 30, 2014, including interest of \$5,062, totaled \$130,062.

Notes to the Financial Statements

(6) Interfund Transfers

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

Transfer to	Transfer From	Amount
Capital Projects	General	\$ 234,792
Debt Service	General	130,063
Proprietary Nutrition	General	<u>15,249</u>
Total		<u>\$ 380,104</u>

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

(7) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue Special Education Instruction	\$ 1,466,132
Special Revenue Juvenile Home	General	731
Capital Projects	General	<u>71,982</u>
		<u>\$ 1,538,845</u>

The General Fund receivable balance results from an interfund loan to finance individual funds accounts receivable. Repayments will be made from future revenue.

The General Fund payable balances result from payments made by the receivable fund which will be repaid by future transfers from the General Fund.

(8) Operating Leases

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

Notes to the Financial Statements

(8) Operating Leases

The following is a schedule by years of future minimum rental payments required under operating leases which have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2014.

Year Ending June 30,	
2015	<u>\$ 77,151</u>

Total rental expenditures for the year ended June 30, 2014 for all operating leases, except those with terms of a month or less that were not renewed, was \$261,181.

(9) Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the Agency is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$2,831,849, \$3,164,787 and \$3,570,083 respectively, which was equal to the required contribution for the years.

(10) Other Post-Employment Benefits (OPEB)

Plan Description

The Agency operates a single-employer retiree benefit plan which provides medical/prescription drug, dental and life insurance benefits for retirees and their spouses. There are 717 active and 76 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through one of four fully insured plans with Wellmark. The dental plan is a self-funded plan with Delta Dental of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

Life insurance is provided at a rate of three times the employee's annual salary rounded to the nearest \$10,000.

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.

Notes to the Financial Statements

(10) Other Post-Employment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the Agency's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation:

Annual required contribution	\$ 429,000
Interest on net OPEB obligation.....	51,340
Adjustment to annual required contribution.....	<u>(43,530)</u>
Annual OPEB Cost	436,810
Contributions made	<u>(321,000)</u>
Increase in Net OPEB Obligation	115,810
Net OPEB Obligation - Beginning of Year.....	<u>1,140,000</u>
Net OPEB Obligation - End of Year	<u>\$ 1,255,810</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the Agency contributed approximately \$321,000 to the medical plan.

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 564,900	67.1%	\$ 937,200
June 30, 2013	434,800	53.4	1,140,000
June 30, 2014	436,810	73.5	1,255,810

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period of July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$3.959 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.959 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$30.7 million and the ratio of the UAAL to the covered payroll was 12.9%. As of June 30, 2014, there were no trust fund assets.

(10) Other Post-Employment Benefits (OPEB)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the Agency's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2012 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$763 per month for retirees age 60. 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.

(11) Risk Management

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

Notes to the Financial Statements

(12) Subsequent Events

Management has evaluated subsequent events through January 22, 2015, the date which the financial statements were available to be issued.

(13) Categorical Funding

The District's restricted fund balance for categorical funding as of June 30, 2014 is comprised of the following programs:

Program	Amount
Education quality, professional development	\$ 67,646
Education quality, professional development for model core curriculum	222,811
Teacher salary supplement	<u>523,372</u>
	<u>\$ 813,829</u>

(14) Prospective Accounting Change

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

Required Supplementary Information

Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund

Year Ended June 30, 2014

	Actual		Total	Budget Amount		Over (Under) Budget
	Governmental Fund Types	Proprietary Fund Type		Original	Final	
Revenue						
Local sources	\$ 20,740,780	\$ 541,921	\$ 21,282,701	\$ 24,790,983	\$ 21,757,443	\$ (474,742)
State sources	16,646,593	606	16,647,199	18,304,632	16,498,083	149,116
Intermediate sources.....	113,644	—	113,644	—	—	113,644
Federal sources	15,979,439	45,906	16,025,345	17,112,000	16,215,816	(190,471)
Total Revenue.....	<u>53,480,456</u>	<u>588,433</u>	<u>54,068,889</u>	<u>60,207,615</u>	<u>54,471,342</u>	<u>(402,453)</u>
Expenditures/Expenses						
Current						
Instruction.....	10,252,644	—	10,252,644	13,789,000	10,474,044	(221,400)
Student support services....	17,710,275	—	17,710,275	17,980,214	17,560,640	149,635
Instructional staff support services	11,131,440	—	11,131,440	12,492,000	11,303,078	(171,638)
General administration	5,618,383	—	5,618,383	5,569,063	5,460,509	157,874
Business administration	3,256,367	—	3,256,367	3,319,000	3,141,040	115,327
Plant operations and maintenance	1,737,799	—	1,737,799	2,202,000	1,896,127	(158,328)
Central and other support services	134,235	—	134,235	1,112,000	787,594	(653,359)
Noninstructional programs	159,800	504,036	663,836	160,000	236,096	427,740
Facilities acquisition and construction	234,792	—	234,792	—	378,168	(143,376)
Debt service	130,063	—	130,063	129,742	130,063	—
Total Expenditures/ Expenses	<u>50,365,798</u>	<u>504,036</u>	<u>50,869,834</u>	<u>56,753,019</u>	<u>51,367,359</u>	<u>(497,525)</u>
Revenue Over Expenditures/Expenses....	3,114,658	84,397	3,199,055	3,454,596	3,103,983	95,072
Other Financing Sources (Uses), Net.....	<u>(3,123,496)</u>	<u>15,249</u>	<u>(3,108,247)</u>	<u>(3,454,596)</u>	<u>(3,113,191)</u>	<u>4,944</u>
Revenue and Other Financing Sources Over Expenditures/Expenses and Other Financing Uses	<u>(8,838)</u>	<u>99,646</u>	<u>90,808</u>	<u>—</u>	<u>(9,208)</u>	<u>100,016</u>
Balance - Beginning of Year ...	5,472,997	370,172	5,843,169	5,543,254	5,843,167	2
Balance - End of Year	<u>\$ 5,464,159</u>	<u>\$ 469,818</u>	<u>\$ 5,933,977</u>	<u>\$ 5,543,254</u>	<u>\$ 5,833,959</u>	<u>\$ 100,018</u>

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

The Agency's Board of Directors annually prepares a budget on a basis consistent with accounting principles generally accepted in the United States of America for all funds except for certain Agency funds. Although the budget document presents functional 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.

The Agency is required by law to budget at the total expenditure/expense level. The Agency prepares its budget by major functions. While actual expenditures/expenses for certain functions above exceeded the budget, the Agency's total expenditures/expenses did not exceed the total approved budget.

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

Year Ended June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-08	\$ —	\$ 4,685,000	\$ 4,685,000	0.0%	\$ 40,000,000	11.65%
2010	7-1-08	—	4,685,000	4,685,000	0.0	47,300,000	9.90
2011	7-1-10	—	4,986,000	4,986,000	0.0	39,500,000	12.60
2012	7-1-10	—	4,986,000	4,986,000	0.0	41,000,000	12.20
2013	7-1-12	—	3,959,000*	3,959,000	0.0	33,000,000	12.00
2014	7-1-12	—	3,959,000	3,959,000	0.0	30,700,000	12.90

See Note 10 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds ---

As of June 30, 2014

	<u>Special Revenue Juvenile Home</u>	<u>Capital Projects</u>	<u>Total</u>
Assets			
Receivables			
Accounts	\$ 8,055	\$ —	\$ 8,055
Due from other funds	<u>731</u>	<u>71,982</u>	<u>72,713</u>
Total Assets	<u>\$ 8,786</u>	<u>\$ 71,982</u>	<u>\$ 80,768</u>
Liabilities			
Accounts payable	\$ 8,250	\$ 71,982	\$ 80,232
Salaries and benefits payable.....	<u>536</u>	<u>—</u>	<u>536</u>
Total Liabilities	<u>\$ 8,786</u>	<u>\$ 71,982</u>	<u>\$ 80,768</u>

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

Year Ended June 30, 2014

	Special Revenue Juvenile Home	Capital Projects	Debt Service	Total
Revenue				
State sources	<u>\$ 1,027,933</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,027,933</u>
Expenditures				
Current				
Instruction	939,090	—	—	939,090
Instructional staff support services	2,172	—	—	2,172
General administration	82,390	—	—	82,390
Plant operations and maintenance	4,281	—	—	4,281
Facilities acquisition and construction	—	234,792	—	234,792
Debt service	—	—	130,063	130,063
Total Expenditures	<u>1,027,933</u>	<u>234,792</u>	<u>130,063</u>	<u>1,392,788</u>
Revenue Under Expenditures..	—	(234,792)	(130,063)	(364,855)
Other Financing Sources				
Transfers in	—	234,792	130,063	364,855
Net Change in Fund Balances	—	—	—	—
Fund Balances - Beginning of Year	—	—	—	—
Fund Balances - End of Year ...	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Combining Schedule of Net Position - Nonmajor Proprietary Funds

As of June 30, 2014

	Nutrition	Technology and Repair Services	Total
Assets			
Current Assets			
Cash and cash equivalents.....	\$ 4,313	\$ 296,599	\$ 300,912
Accounts receivable	—	147,010	147,010
Inventory	—	41,650	41,650
Total Current Assets	<u>4,313</u>	<u>485,259</u>	<u>489,572</u>
Capital Assets, Net of Accumulated			
Depreciation	<u>—</u>	<u>19,036</u>	<u>19,036</u>
Total Assets	<u>\$ 4,313</u>	<u>\$ 504,295</u>	<u>\$ 508,608</u>
Liabilities and Net Position			
Current Liabilities			
Accounts payable	<u>\$ 1,349</u>	<u>\$ 37,441</u>	<u>\$ 38,790</u>
Net Position			
Investment in capital assets.....	—	19,036	19,036
Unrestricted	2,964	447,818	450,782
Total Net Position.....	<u>2,964</u>	<u>466,854</u>	<u>469,818</u>
Total Liabilities and Net Position	<u>\$ 4,313</u>	<u>\$ 504,295</u>	<u>\$ 508,608</u>

Combining Schedule of Revenue, Expenses and Changes in Net Position - Nonmajor Proprietary Funds

Year Ended June 30, 2014

	Nutrition	Technology and Repair Services	Total
Operating Revenue			
Charges for services.....	<u>\$ 22,196</u>	<u>\$ 519,725</u>	<u>\$ 541,921</u>
Operating Expenses			
Noninstructional Programs			
General Administration			
Purchased services.....	—	194	194
Plant Operations and Maintenance			
Purchased services.....	—	1,651	1,651
Materials and supplies.....	—	11,813	11,813
Depreciation.....	—	3,045	3,045
Total Plant Operations and Maintenance.....	—	<u>16,509</u>	<u>16,509</u>
Central and Other Support Services			
Salaries.....	—	159,244	159,244
Benefits.....	—	61,056	61,056
Purchased services.....	—	459	459
Materials and supplies.....	—	184,647	184,647
Miscellaneous.....	—	934	934
Total Central Support and Other Services.....	—	<u>406,340</u>	<u>406,340</u>
Food Service Operations			
Salaries.....	26,159	—	26,159
Benefits.....	5,222	—	5,222
Purchased services.....	213	—	213
Materials and supplies.....	49,399	—	49,399
Total Food Service Operations.....	<u>80,993</u>	—	<u>80,993</u>
Total Operating Expenses	<u>80,993</u>	<u>423,043</u>	<u>504,036</u>
Income (Loss) From Operations	<u>(58,797)</u>	<u>96,682</u>	<u>37,885</u>
Nonoperating Revenue			
State sources.....	606	—	606
Federal sources.....	45,906	—	45,906
Total Nonoperating Revenue	<u>46,512</u>	—	<u>46,512</u>
Change in Net Position Before Transfers	(12,285)	96,682	84,397
Transfers in.....	15,249	—	15,249
Change in Net Position	2,964	96,682	99,646
Net Position - Beginning of Year.....	—	370,172	370,172
Net Position - End of Year	<u>\$ 2,964</u>	<u>\$ 466,854</u>	<u>\$ 469,818</u>

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2014

	Nutrition	Technology and Repair Services	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 23,786	\$ 518,114	\$ 541,900
Cash paid to employees for services	(32,480)	(220,300)	(252,780)
Cash paid to suppliers for goods and services.....	<u>(46,619)</u>	<u>(180,504)</u>	<u>(227,123)</u>
Net Cash Provided by (Used in) Operating Activities.....	<u>(55,313)</u>	<u>117,310</u>	<u>61,997</u>
Cash Flows From Noncapital Financing Activities			
State grants received.....	606	—	606
Federal grants received.....	40,141	—	40,141
Transfers in	<u>15,249</u>	<u>—</u>	<u>15,249</u>
Net Cash Provided by Noncapital Financing Activities.....	<u>55,996</u>	<u>—</u>	<u>55,996</u>
Net Increase in Cash and Cash Equivalents.....	683	117,310	117,993
Cash and Cash Equivalents at Beginning of Year	<u>3,630</u>	<u>179,289</u>	<u>182,919</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,313</u>	<u>\$ 296,599</u>	<u>\$ 300,912</u>
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities			
Income (loss) from operations.....	\$ (58,797)	\$ 96,682	\$ 37,885
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities			
Commodities used.....	5,765	—	5,765
Depreciation	—	3,045	3,045
Increase (decrease) in accounts receivable	1,590	(1,611)	(21)
Decrease in inventories	—	(724)	(724)
Increase (decrease) in accounts payable	(2,772)	19,918	17,146
Decrease in salaries and benefits payable	<u>(1,099)</u>	<u>—</u>	<u>(1,099)</u>
Net Cash Provided by (Used in) Operating Activities.....	<u>\$ (55,313)</u>	<u>\$ 117,310</u>	<u>\$ 61,997</u>

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund ▬

Year Ended June 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	<u>\$ 288,700</u>	<u>\$ 1,268,659</u>	<u>\$ 1,217,628</u>	<u>\$ 339,731</u>
Liabilities				
Accounts payable	\$ 99,802	\$ 89,194	\$ 99,802	\$ 89,194
Deposits held in custody for others....	<u>188,898</u>	<u>1,179,465</u>	<u>1,117,826</u>	<u>250,537</u>
Total Liabilities	<u>\$ 288,700</u>	<u>\$ 1,268,659</u>	<u>\$ 1,217,628</u>	<u>\$ 339,731</u>

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

For the Last Ten Years

	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenue										
Local sources	\$ 20,740,780	\$ 24,834,154	\$ 37,051,670	\$ 37,475,083	\$ 39,255,589	\$ 37,963,299	\$ 35,320,511	\$ 34,467,848	\$ 33,309,117	\$ 31,453,896
State sources	16,646,593	15,761,737	16,387,663	18,729,978	16,787,160	18,421,837	16,590,759	13,862,015	12,706,309	12,020,599
Intermediate sources	113,644	—	—	—	—	—	—	—	—	—
Federal sources.....	15,979,439	16,788,669	17,294,461	18,945,236	29,930,341	19,251,652	16,871,230	17,996,620	18,604,604	17,533,170
Total Revenue	\$ 53,480,456	\$ 57,384,560	\$ 70,733,794	\$ 75,150,297	\$ 85,973,090	\$ 75,636,788	\$ 68,782,500	\$ 66,326,483	\$ 64,620,030	\$ 61,007,665
Expenditures										
Current										
Instruction	\$ 10,252,644	\$ 13,417,645	\$ 25,625,487	\$ 26,315,571	\$ 27,131,683	\$ 25,831,081	\$ 23,671,016	\$ 22,924,955	\$ 21,763,378	\$ 20,467,445
Student support services.....	17,710,275	16,982,192	17,689,241	17,944,382	18,710,718	17,601,257	16,629,025	15,267,040	15,447,597	17,889,315
Instructional staff support services	11,131,440	11,127,795	12,284,435	12,615,919	13,514,721	12,732,796	11,438,951	11,965,394	11,940,186	11,207,636
General administration	5,618,383	5,590,348	6,210,807	6,298,209	6,566,067	5,976,269	5,758,953	5,718,006	5,396,285	5,474,878
Business administration	3,256,367	3,349,700	3,241,039	2,967,959	3,155,816	2,991,439	3,457,122	2,996,568	2,813,973	2,873,359
Plant operations and maintenance	1,737,799	1,939,693	2,112,532	2,109,525	2,690,751	2,195,038	2,274,798	2,062,109	2,213,313	3,035,099
Central and other support services.....	134,235	916,387	1,485,175	1,543,050	1,699,324	1,799,788	1,586,136	1,689,199	1,642,549	104,132
Noninstructional programs	159,800	137,378	149,530	138,675	—	—	—	—	—	—
Facilities acquisition and construction.....	234,792	250,259	552,704	270,015	377,454	—	—	—	1,584,465	1,286,662
Debt service	130,063	129,743	134,242	389,002	417,314	414,588	416,026	416,502	364,510	2,007,784
Total Expenditures	\$ 50,365,798	\$ 53,841,140	\$ 69,485,192	\$ 70,592,307	\$ 74,263,848	\$ 69,542,256	\$ 65,232,027	\$ 63,039,773	\$ 63,166,256	\$ 64,346,310

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Indirect			
Pass-Through Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program.....	10.553	N/A	\$ 11,998
National School Lunch Program	10.555	N/A	28,143
National School Lunch Program - Food Donation (noncash).....	10.555	N/A	<u>5,765</u>
Total U.S. Department of Agriculture			<u>45,906</u>
U.S. Department of Education - Indirect			
Pass-Through Iowa Department of Education			
Special Education - Grants to States			
Preschool Handicapped Program	84.027**	0KB2-07	212,339
Preschool Handicapped Program - Flow Through ..	84.027**	0031-3367-2KB	3,138,190
Enhancing the Parent Educator Connection	84.027**	0031-3367-2KB	10,805,539
IC Significant Disabilities	84.027**		<u>4,152</u>
Total Special Education - Grants to States			<u>14,160,220</u>
Special Education - Preschool Grants			
Section 619	84.173**	1214-07	425,666
IQPPS Grant	84.173**	19313	<u>5,000</u>
Total Special Education - Preschool Grants.....			<u>430,666</u>
Career and Technical Education - Basic Grants to States			
	84.048	N/A	<u>274,855</u>
Early Intervention Services Cluster (IDEA)			
Special Education - Grants for Infants and Families...	84.181	C10-07	<u>354,865</u>
Safe and Drug-Free Schools and Communities - National Programs			
Iowa Safe and Supportive Schools.....	84.184	1SS3	<u>103,306</u>
English Language Acquisition Grants.....	84.365	13-ELA2	<u>276,907</u>
Total Pass-Through Iowa Department of Education.....			<u>15,600,819</u>
Pass-Through From Drake University			
Mathematics and Science Partnership	84.366	N/A	<u>47,444</u>
Pass-Through Grinnell Newberg Community School District			
Title I Grants to Local Educational Agencies.....	84.010*	N/A	<u>12,600</u>
Pass-Through Hampton-Dumont Community School District			
Title I Grants to Local Educational Agencies.....	84.010*	N/A	<u>14,100</u>
Pass-Through Marshalltown Community School District			
Title I Grants to Local Educational Agencies	84.010*	N/A	<u>206,700</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education - Indirect			
Pass-Through Mason City Community School District Title I Grants to Local Educational Agencies	84.010*	N/A	<u>\$ 33,928</u>
Pass-Through State Training School for Boys Special Education - Grants to States.....	84.027**	N/A	<u>26,194</u>
Pass-Through University of Northern Iowa Grants for State Assessments and Related Activities State Fiscal Stabilization Fund - Investing I Innovation (i3) Fund	84.369	N/A	<u>12,638</u>
Pass-Through Waterloo Community School District Improving Teaching Quality State Grants.....	84.367	N/A	<u>21,169</u>
Total U.S. Department of Education			<u>15,975,592</u>
Total			<u>\$ 16,021,498</u>

* Total for CFDA Number 84.010 is \$267,328.

** Total for CFDA Number 84.027 is \$14,186,414 and total for Special Education Cluster (IDEA) (CFDA numbers 84.027 and 84.173) is \$14,617,080.

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Area Education Agency 267 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2. Subrecipients

Area Education Agency 267 provided \$3,138,190 of federal awards to various school districts as part of the Preschool Handicapped Program.

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

Board of Directors
Area Education Agency 267
Cedar Falls, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Area Education Agency 267 as of and for the year ended June 30, 2014, and the related notes to the financial statements, and the discretely presented component units as of December 31, 2013 and June 30, 2014, which collectively comprise the Agency's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Area Education Agency 267'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 Area Education Agency 267's internal control. Accordingly, we do not express an opinion on the effectiveness of Area Education Agency 267's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Area Education Agency 267's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the accompanying schedule of findings and questioned costs.

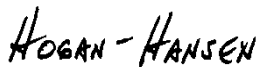
Comments involving statutory and other legal matters about Area Education Agency 267's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Area Education Agency 267. Since our audit was based 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.

Area Education Agency 267's Response to Finding

Area Education Agency 267's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Area Education Agency 267's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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



HOGAN - HANSEN

Mason City, Iowa
January 22, 2015

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

Board of Directors
Area Education Agency 267
Cedar Falls, Iowa

Report on Compliance for Each Major Federal Program

We have audited Area Education Agency 267's compliance, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Area Education Agency 267's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Area Education Agency 267'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 Area Education Agency 267's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Area Education Agency 267's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Area Education Agency 267 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Area Education Agency 267 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 Area Education Agency 267's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Area Education Agency 267's internal control over compliance.

A deficiency in the Agency's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance 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 Circular A-133. Accordingly, this report is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
January 22, 2015

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

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

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? yes no

Significant deficiencies identified not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes no

Significant deficiencies identified not considered to be material weaknesses? yes none reported

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

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

Identification of major programs:

CFDA Numbers

84.027 and 84.173

Name of Cluster

Special Education Cluster (IDEA)

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

\$480,645

Auditee qualified as low-risk auditee?

yes no

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

There were no internal control deficiencies reported.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

There were no internal control deficiencies reported.

Part IV: Other Findings Related to Statutory Reporting

- 14-IV-A Certified Budget** - Expenditures during the year ended June 30, 2014 did not exceed the amounts budgeted.
- 14-IV-B Questionable Expenditures** - We noted no expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's Opinion dated April 25, 1979.
- 14-IV-C Travel Expenses** - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- 14-IV-D Business Transactions** - No business transactions between the Agency and Agency officials or employees were noted.
- 14-IV-E Bond Coverage** - Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 14-IV-F Board Minutes**

Finding - The transactions that did not have Board approval included the sale of an asset, one transfer of funds between the General Fund and the Nutrition Fund, and some expenditures that were not submitted in error.

Auditor's Recommendation - The process of having required transactions submitted and approved by the Board should be reviewed to assure that the appropriate items are submitted and approved by the Board.

Agency's Response - We have already reviewed and corrected the process to insure that all expenditures are properly approved. We will also review to assure that all items requiring Board approval are properly submitted and approval is documented in the minutes.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2014

- 14-IV-G Deposits and Investments** - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy.
- 14-IV-H Certified Annual Report** - The Certified Annual Report was certified timely to the Iowa Department of Education.
- 13-IV-I Categorical Funding** - No instances were noted of categorical funding used to supplant rather than supplement other funds.