

Heartland Area Education Agency

Financial and Compliance Report
Year Ended June 30, 2023

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Heartland Area Education Agency

Officials

Year Ended June 30, 2023

	Title	Term/Contract Expires
Board of Directors:		
Pete Evans	President	2025
Margaret Borgen	Vice President	2023
Sheri Benson	Board Member	2023
Elizabeth Brennan	Board Member	2023
Pete Evans	Board Member	2025
Tiara Mays-Sims	Board Member	2025
Alex Piedras	Board Member	2025
John Kinley	Board Member	2023
Steve Rose	Board Member	2023
Margie Schwenk	Board Member	2025
Agency:		
Jon Sheldahl	Chief Administrator	
Jenny Ugolini	Board Secretary	
Kurt Subra	Chief Financial Officer and Treasurer	

Heartland Area Education Agency

Areas Served

Year Ended June 30, 2023

Audubon County:

Audubon School District
Exira-Elk Horn-Kimballton School District

Boone County:

Boone School District
Madrid School District
Ogden School District
Sacred Heart School
Trinity Lutheran School
United School District

Carroll County:

Carroll School District
Coon Rapids Bayard School District
Glidden-Ralston School District
Kuemper School

Dallas County:

Adel-DeSoto-Minburn School District
Dallas Center-Grimes School District
Perry School District
St. Patricks School
Van Meter School District
Waukee School District
Woodward-Granger School District

Guthrie County:

Adair-Casey School District
Guthrie Center School District
Panorama School District
West Central Valley School District

Jasper County:

Baxter School District
Colfax-Mingo School District
Lynnville-Sully School District
Newton School District
Newton Christian School
Prairie City-Monroe School District
Sully Christian School

Madison County:

Earlham School District
Interstate 35 School District
Winterset School District

Marion County:

Knoxville School District
Melcher-Dallas School District
Pella School District

Marion County (continued):

Pella Christian Grade School
Pella Christian High School
Peoria Christian School
Pleasantville School District
Twin Cedars School District

Polk County:

Ankeny School District
Ankeny Christian Academy
Bondurant-Farrar School District
Christ the King School
Des Moines School District
Des Moines Christian School
Bergman Academy
Dowling High School
Grand View Christian School
Holy Family Schools
Holy Trinity School
Johnston School District
Mt. Olive Lutheran School
North Polk School District
Sacred Heart School
St. Anthony School
St. Augustin School
St. Francis of Assisi School
St. Joseph Elementary School
St. Luke's the Evangelist School
St. Pius X School
St. Theresa School
Saydel School District
Southeast Polk School District
Sterling West School District
Urbandale School District
West Des Moines School District

Story County:

Ames School District
Ballard School District
Collins-Maxwell School District
Colo-Nesco School District
Gilbert School District
Nevada School District
Roland-Story School District
St. Cecelia School

Warren County:

Carlisle School District
Indianola School District
Martensdale-St. Marys School District
Norwalk School District
Southeast Warren School District



Independent Auditor's Report

To the Board of Directors
Heartland Area Education Agency
Johnston, Iowa

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Heartland Area Education Agency as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Heartland Area Education Agency, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Heartland Area Education Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 10 to the financial statements, Heartland Area Education Agency adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. As a result, June 30, 2022 governmental activities net position is restated by \$1,474,674. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Heartland Area Education Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Heartland Area Education Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Heartland Area Education Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Agency's proportionate share of the net pension liability and schedule of contributions for the Iowa Public Employee's Retirement System and schedule of changes in the Agency's total OPEB liability and related ratios, and budgetary comparison information, on pages 4-9 and 42-50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information, including the Schedule of Expenditures of Federal Awards required by Title 2, *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are 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 the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023, on our consideration of the Heartland Area Education Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Heartland Area Education Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Heartland Area Education Agency's internal control over financial reporting and compliance.

Bohnsack & Frommelt LLP

Moline, Illinois
November 13, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Heartland Area Education Agency 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, 2023. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2023 FINANCIAL HIGHLIGHTS

- The Agency implemented Governmental Accounting Standards Board Statement (GASBS) No. 96, *Subscription-Based Information Technology Arrangements*, during fiscal year 2023. The implementation of this standard revised certain assets and liability accounts related to subscription agreements and resulted in a restatement to governmental activities net position of \$1,474,674.
- General Fund revenues were \$113,222,051 and General Fund Expenditures were \$112,849,978 in FY2023. General Fund Other Financing Sources and Uses for FY2023 were a net use of (\$1,103,443). Revenues less Expenditures plus Other Financing Sources and Uses resulted in a net operating loss of (\$731,370). The Agency's General Fund total fund balance decreased from \$16,576,517 in FY2022 to \$15,845,147 in FY2023.
- The Agency's state funding was reduced \$5,681,091 from the total amount generated by the school aid formula. This amount was the Agency's share of the state-wide \$24.6 million cut to all area education agencies (AEAs). In FY2022, the Agency's share was \$5,144,672 of a \$22.5 million state-wide cut to the AEAs.
- The Agency completed its tenth year of self-insured health insurance. In FY2023 the internal service fund revenues totaled \$10,810,836 and expenditures totaled \$11,525,933. The funds net position decreased from \$7,715,945 in FY2022 to \$7,000,848 in FY2023. The internal service fund records activity for the self-insured health and dental insurances, for health reimbursement accounts and for flexible spending accounts.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-Wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These statements provide an overall view of the Agency's finances and activities.
- 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. The remaining financial statements provide information about activities for which the Agency acts solely as an agent or custodian for the benefit of those outside of the Agency (Custodial 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 to actual expenditures. Other Supplementary Information provides detailed information about expenditures by function and federal awards.

Reporting the Agency as a Whole

The Statement of Net Position and the Statement of Activities

The Government-Wide Statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Agency's assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-Wide Statements report the Agency's net position and how they have changed. Net position 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 student population base and the condition of its facilities need to be considered.
- The Government-Wide Financial Statements include the Agency's basic services, such as regular and special education instruction, student and instructional staff support services and administration. Property taxes, state aid and federal grants finance most of these activities.

Fund Financial Statements

The Fund Financial Statements provide detailed information about the Agency's funds, focusing on its most significant or "major" funds – not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for major construction projects or to show that it is properly using certain revenues, such as Juvenile Home funding.

Governmental Funds

The Agency's Governmental Funds include the General Fund the special revenue funds, Capital Project Fund and Debt Service Fund. Governmental Funds account for all of the Agency's basic services. These focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the Governmental Fund Statements provide a detailed short-term view that helps determine whether there are greater or fewer financial resources that can be spent in the near future to finance the Agency's programs. Because this information does not encompass the additional long-term focus of the Government-Wide Statements, additional information at the bottom of the Governmental Fund Statements explains the relationship or differences between the two statements.

The Governmental Funds required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. A summary reconciliation between the Government-Wide Financial Statements and the Fund Financial Statements follows the Fund Financial Statements.

Proprietary Funds

The Agency maintains one internal service fund to account for the premium and claim payments for the self-funded health and dental insurance plans, for health reimbursement accounts and for flexible spending accounts. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Agency's various functions. Because the service provided by the Agency benefits governmental, rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position and a Statement of Cash Flows.

Fiduciary Fund

Fiduciary funds are funds through which the Agency administers and accounts for certain federal and/or state grants as a fiscal agent and cannot be used to support the Agency's own programs.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The Agency's net position at the end of FY2023 totaled approximately \$8.7 million compared to a restated \$4.5 million at the end of FY2022. The Agency's self-insurance fund is included with the governmental activities in the government-wide financial statements. The Agency does not have any Business-Type Activities, therefore, the total is only composed of the Governmental Funds. The analysis that follows focuses on the net position and changes in net position.

Condensed Statement of Net Position				
	FY2023		Restated FY2022	% Change
Assets:				
Current and other assets	\$	37,939,174	\$ 40,762,703	-7%
Capital assets		12,398,519	10,848,776	14%
Total Assets		50,337,693	51,611,479	-2%
Deferred Outflows of Resources		7,978,772	8,605,467	-7%
Liabilities:				
Long-term obligations		30,905,516	5,098,394	506%
Other liabilities		15,093,179	16,470,241	-8%
Total Liabilities		45,998,695	21,568,635	113%
Deferred Inflows of Resources		3,590,002	34,146,853	-89%
Net Position:				
Net investment in capital assets	\$	10,100,681	\$ 9,600,014	5%
Restricted		1,154,322	1,049,590	10%
Unrestricted		(2,527,235)	(6,148,146)	59%
Total Net Position	\$	8,727,768	\$ 4,501,458	94%

The Agency's total net position increased by approximately \$4.2 million from FY2022. The Agency's assets and deferred outflows of resources decreased \$1,900,481. The Agency's total liabilities and deferred inflows of resources decreased \$6,126,791. The decrease in assets and deferred outflows and liabilities and deferred inflows are primarily due to changes in pension and other post-employment benefit valuations and new IT subscription agreements.

The following analysis shows the changes in Net Position for the year ended June 30, 2023 as compared to June 30, 2022.

Changes in Net Position			
	FY2023	Not restated FY2022	% Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 4,830,766	\$ 4,225,660	14%
Operating Grants and Contributions	40,135,705	40,596,327	-1%
General Revenues:			
Property Tax	28,716,269	27,731,735	4%
State Aid	39,980,789	38,868,838	3%
Unrestricted Investment Earnings	1,131,241	170,781	562%
Gain on sale of equipment	-	43,288	-100%
Total Revenues	<u>\$ 114,794,770</u>	<u>\$ 111,636,629</u>	<u>3%</u>
Program Expenses:			
Instruction	\$ 4,074,130	\$ 3,593,535	13%
Student Support Services	46,392,957	40,867,296	14%
Instructional Staff Support Services	33,470,373	31,687,996	6%
General Administration	4,627,672	4,660,225	-1%
Regional Administration	4,609,088	4,645,440	-1%
Business Administration	1,456,536	1,620,834	-10%
Central and Other Support Services	5,068,610	4,945,243	2%
Printing, Delivery, and Coop Services	1,340,539	1,118,734	20%
Plant Operations and Maintenance	1,637,354	1,402,095	17%
Community Services Operations	172,201	166,891	3%
LEA Part B Flow-Through	6,894,886	7,937,694	-13%
Debt Service	66,128	22,132	199%
Depreciation-Unallocated	757,986	378,658	100%
Total Expenses	<u>\$ 110,568,460</u>	<u>\$ 103,046,773</u>	<u>7%</u>
Increase (Decrease) in Net Position	4,226,310	8,589,856	51%
Net Position-Beginning, as restated	<u>4,501,458</u>	<u>(5,563,072)</u>	<u>181%</u>
Net Position-Ending	<u>\$ 8,727,768</u>	<u>\$ 3,026,784</u>	<u>188%</u>

The Agency's overall revenue increase of 3% was primarily due to a 3% increase in supplemental state aid, a 4% increase in property tax and \$960 thousand increase in investment earnings due to rising interest rates. The revenue increases were partially offset by an approximate \$461 thousand reduction in state operating grants.

The Agency's expenses primarily relate to instructional support services provided to local school districts, which account for over 91% of the operating expenses. Instructional support services provided to schools are reported above in the areas of Instruction, Student Support Services, Instructional Staff Support Services, Printing and Delivery, LEA Part B Flow-Through and a large portion of the Central and Other Support Services. The overall expense increase of 7% was primarily due to a) salary and benefit increases of 2-6% increasing expenses approximately \$2.5 million, b) increased contract expenses for COVID-19 funding of approximately \$1.3 million and c) increases in purchased services of approximately \$1.4 million. In addition, health claims and administration increased approximately \$478,000.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

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

Governmental Fund

The Agency's Governmental Funds reported combined fund balances of \$15,845,147 which is approximately \$731 thousand less than last year's ending fund balances of \$16,576,517. Governmental Fund revenues increased approximately \$3.2 million. The increased revenues are primarily a result of a 2.5% increase to supplemental state aid and \$960 thousand increase in investment earnings. Governmental Fund expenditures increased approximately \$7.6 million. The expenditure increase is due to annual salary increases and construction costs related to the remodeling project at 6500 Corporate Drive.

Proprietary Fund

The Agency completed its tenth year of self-insured health insurance. The fund's net position decreased from \$7,715,945 on June 30, 2022 to \$7,000,848 on June 30, 2023. For FY2023 the fund had revenues of approximately \$10.8 million and expenditures of approximately \$11.5 million. The Agency will continue to monitor the fund's net position to ensure adequate funds are available.

BUDGETARY HIGHLIGHTS

The Agency's Board of Directors annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles. 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. 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. Over the course of the year, the Agency amended its annual operating budget one time to reflect adjustments to revenue and expenditures associated with the services needed and provided to local school districts. A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the Required Supplementary Information Section of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2023, the Agency had invested \$12.4 million, net of accumulated depreciation in a broad range of capital assets, including land, buildings, computers, equipment, software, and an extensive library/media collection.

The Agency had depreciation expense of \$1,647,949 in FY2023 and accumulated depreciation of \$15,073,114 as of June 30, 2023. More detailed information about capital assets is available in Note 3 to the financial statements.

Debt Administration

On June 30, 2023 the Agency had \$2,297,838 of outstanding debt related to leases and subscription liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Iowa economy continues to be steady despite the ongoing economic pressures of inflation. The Iowa legislature enacted a 3% supplemental state aid increase for FY2024. The state-wide special education funding cut to all area education agencies increased from \$24.6 million in FY2023 to \$29.6 million in FY2024. The Agency's share of the cut increased from \$5.7 million in FY2023 to \$6.8 million in FY2024. With the student enrollment increases and additional state aid cuts, the Agency has a 2.8% increase in supplemental state aid in FY2024.

Federal funding increased approximately \$2 million in FY 2024. In FY2023, the Agency received an additional \$3.2 million in Federal funding due to the American Rescue Plan (ARP). ARP funding is not available in FY2024.

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 Agency's Chief Financial Officer at 6500 Corporate Drive, Johnston, Iowa 50131.

Heartland Area Education Agency
Statement of Net Position
June 30, 2023

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 30,866,425
Accounts receivable	40,654
Due from other governments	6,680,283
Prepaid expenses	343,953
Deposits	7,859
Capital assets:	
Nondepreciable	3,225,046
Depreciable, net of accumulated depreciation	9,173,473
Total Assets	50,337,693
Deferred Outflows of Resources	
OPEB related deferred outflows of resources	569,411
Pension related deferred outflows of resources	7,409,361
Total Deferred Outflows of Resources	7,978,772
Liabilities	
Accounts payable and other current liabilities	14,935,556
Excess of warrants issued over bank balance	3,834
Unearned revenue	153,789
Long-term liabilities:	
Due within one year:	
Compensated absences	621,686
IT subscription liability	469,158
Leased buildings and equipment	180,472
Noncurrent:	
IT subscription liability	1,170,770
Leased buildings and equipment	477,438
Other post employment benefits	2,263,298
Net pension liability	25,722,694
Total Liabilities	45,998,695
Deferred Inflows of Resources	
OPEB related deferred inflows of resources	237,304
Pension related deferred inflows of resources	3,352,698
Total Deferred Inflows of Resources	3,590,002
Net Position	
Net investment in capital assets	10,100,681
Restricted for:	
Materials resource	815,757
State teacher categorical	338,565
Unrestricted	(2,527,235)
Total Net Position	\$ 8,727,768

See accompanying notes to the basic financial statements.

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Heartland Area Education Agency
Statement of Activities
For the Year Ended June 30, 2023

Exhibit B

					Net (Expense)
					Revenues and
					Changes in
					Net Position
Functions/Programs	Expenses	Program Revenues			Governmental
		Charges for	Operating	Capital Grants	
		Services	Grants and	and	Activities
			Contributions	Contributions	
Governmental Activities:					
Instruction	\$ 4,074,130	\$ 830,960	\$ 3,187,551	\$ -	\$ (55,619)
Student support services	46,392,957	3,132	14,969,353	-	(31,420,472)
Instructional staff support					
services	33,470,373	2,477,136	13,802,590	-	(17,190,647)
General administration	4,627,672	5,965	268,276	-	(4,353,431)
Regional administration	4,609,088	15,150	-	-	(4,593,938)
Business administration	1,456,536	19,822	755,277	-	(681,437)
Central & other support					
services	5,068,610	894,517	41,306	-	(4,132,787)
Printing, delivery services &					
coop services	1,340,539	584,082	-	-	(756,457)
Plant operations and					
maintenance	1,637,354	2	38,392	-	(1,598,960)
Community services	172,201	-	178,074	-	5,873
LEA Part B Flowthrough	6,894,886	-	6,894,886	-	-
Debt service	66,128	-	-	-	(66,128)
Depreciation-unallocated	757,986	-	-	-	(757,986)
Total Primary Government	\$ 110,568,460	\$ 4,830,766	\$ 40,135,705	\$ -	\$ (65,601,989)
General Revenues					
Property Taxes, Levied for General Purposes					\$ 28,716,269
State Aid-Formula Grants					39,980,789
Unrestricted Investment Earnings					1,131,241
Total General Revenues					\$ 69,828,299
Change in Net Position					4,226,310
Net Position-Beginning, As Restated					4,501,458
Net Position-Ending					\$ 8,727,768

See accompanying notes to the basic financial statements.

Heartland Area Education Agency
Balance Sheet
Governmental Funds
June 30, 2023

Exhibit C

	General	Non-Major Funds	Total
Assets			
Cash and cash equivalents	\$ 22,093,098	\$ 337,186	\$ 22,430,284
Due from other governments	6,646,674	33,609	6,680,283
Prepaid items	318,096	-	318,096
Deposits	7,859	-	7,859
Total assets	29,065,727	370,795	29,436,522
Liabilities and Fund Balance			
Liabilities			
Accounts payable and other current liabilities	13,068,577	366,961	13,435,538
Excess of warrants issued over bank balance	-	3,834	3,834
Unearned revenue	152,003	-	152,003
Total liabilities	13,220,580	370,795	13,591,375
Fund Balances			
Non-spendable			
Prepaid items	318,096	-	318,096
Restricted			
Materials resource	815,757	-	815,757
State teacher categorical	338,565	-	338,565
Assigned			
Encumbrances	1,634	-	1,634
Committed			
Facility and site improvements	3,707,063	-	3,707,063
Unassigned	10,664,032	-	10,664,032
Total fund balances	15,845,147	-	15,845,147
Total liabilities and fund balances	\$ 29,065,727	\$ 370,795	\$ 29,436,522

See accompanying notes to the basic financial statements.

Heartland Area Education Agency
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2023

Exhibit D

Total Fund Balances-Governmental Funds	\$	15,845,147
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets used in Governmental Activities are not financial resources and therefore are not reported as assets in Governmental Funds. The cost of the assets is \$27,471,633 less the accumulated depreciation of \$15,073,114.		12,398,519
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Pension and OPEB related deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, OPEB, and OPEB expense are not due and payable in the current year and, therefore, are not reported in the governmental funds.

Deferred outflows of resources related to pension	\$ 7,409,361	
Deferred inflows of resources related to pension	(3,352,698)	
Deferred outflows of resources related to OPEB	569,411	
Deferred inflows of resources related to OPEB	<u>(237,304)</u>	4,388,770

Long-term liabilities, including capital leases, compensated absences, other post employment benefits payable and net pension liability are not due and payable in the current year and, therefore are not reported in the governmental funds.		(30,905,516)
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Internal Service Funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of net position

Other current assets	\$ 8,502,652	
Other current liabilities	<u>(1,501,804)</u>	7,000,848

Total Net Position-Governmental Activities	\$	<u><u>8,727,768</u></u>
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See accompanying notes to financial basic statements.

Heartland Area Education Agency
Statement of Revenues, Expenditures and
Changes in Fund Balances-Governmental Funds
For the Year Ended June 30, 2023

Exhibit E

	General	Non-Major Funds	Total
Revenues			
Local sources	\$ 34,675,276	\$ 3,834	\$ 34,679,110
State sources	40,939,258	1,476,677	42,415,935
Federal sources	37,607,517	92,208	37,699,725
Total Revenues	113,222,051	1,572,719	114,794,770
Expenditures			
Current:			
Instruction	2,887,383	1,307,896	4,195,279
Student support services	45,802,077	-	45,802,077
Instructional staff support services	36,151,303	84,972	36,236,275
General administration	5,529,421	139,934	5,669,355
Regional administration	4,861,603	-	4,861,603
Business administration	1,514,978	-	1,514,978
Central and other support services	5,292,328	1,525	5,293,853
Printing & delivery	1,374,726	-	1,374,726
Plant operations and maintenance	2,363,199	38,392	2,401,591
Community services operations	178,074	-	178,074
LEA Part B flowthrough	6,894,886	-	6,894,886
Facilities acquisition	-	2,088,061	2,088,061
Debt service:			
Principal	-	1,037,732	1,037,732
Interest	-	66,128	66,128
Total expenditures	112,849,978	4,764,640	117,614,618
Excess (deficiency) of revenues over (under) expenditures	372,073	(3,191,921)	(2,819,848)
Other financing sources (uses):			
Other	1,670	-	1,670
Issuance of lease obligation	190,188	-	190,188
Issuance of long-term debt	1,896,620	-	1,896,620
Transfer in	-	3,191,921	3,191,921
Transfer (out)	(3,191,921)	-	(3,191,921)
Total other financing sources (uses)	(1,103,443)	3,191,921	2,088,478
Net change in fund balances	(731,370)	-	(731,370)
Fund balances--beginning	16,576,517	-	16,576,517
Fund balances--ending	\$ 15,845,147	\$ -	\$ 15,845,147

See accompanying notes to the basic financial statements.

Heartland Area Education Agency
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2023

Exhibit F

Total Net Change in Fund Balances-Government Funds **\$ (731,370)**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful life as depreciation expense.

Capital outlay	3,344,922	
Depreciation expense	(1,647,949)	
Loss on sale of capital assets	<u>(147,230)</u>	1,549,743

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 governmental funds, as follows:

Compensated absences	58,328	
Leased equipment principal	36,906	
Building lease principal	157,001	
Proceeds from lease purchase	(190,188)	
IT subscription principal	843,825	
Proceeds from IT subscription agreement	(1,896,620)	
Pension expense	5,169,218	
Other post employment benefits	<u>(55,436)</u>	4,123,034

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The operating loss of the Internal Service Fund is reported with governmental activities.

(715,097)

Change in Net Position of Governmental Activities	<u>\$ 4,226,310</u>
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See accompanying notes to basic financial statements.

Heartland Area Education Agency
Statement of Net Position
Proprietary Fund
June 30, 2023

Exhibit G

	<u>Governmental Activities Internal Service</u>
Assets	
Cash and cash equivalents	\$ 8,436,141
Accounts receivable	40,654
Prepaid expenses	25,857
Total assets	<u>8,502,652</u>
Liabilities	
Accounts payable	99,673
Claims payable	1,400,345
Unearned revenue	1,786
Total liabilities	<u>1,501,804</u>
Net Position	
Unrestricted	7,000,848
Total net position	<u>\$ 7,000,848</u>

See accompanying notes to the basic financial statements.

Heartland Area Education Agency
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2023

Exhibit H

	<u>Governmental Activities Internal Service</u>
Operating Revenues	
Charges for services	\$ 10,810,836
Operating Expenses	
Purchased services	734,912
Claims and administration	10,757,233
Supplies	33,788
Total operating expenses	<u>11,525,933</u>
Operating (loss)	(715,097)
Net position, beginning of year	7,715,945
Net position, end of year	<u><u>\$ 7,000,848</u></u>

See accompanying notes to the basic financial statements.

Heartland Area Education Agency
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2023

Exhibit I

	<u>Governmental Activities Internal Service</u>
Cash flows from operating activities	
Receipts from customers and users	\$ 10,770,590
Payments to suppliers	(943,434)
Claims and administrative costs paid	(10,599,262)
Net cash (used in) operating activities	<u>(772,106)</u>
Net (decrease) in cash and cash equivalents	(772,106)
Cash and cash equivalents, beginning of year	9,208,247
Cash and cash equivalents, end of year	<u><u>\$ 8,436,141</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating (loss)	\$ (715,097)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities	
Changes in assets and liabilities:	
Accounts receivable	(40,654)
Prepaid expenses	(25,857)
Accounts payable	(148,877)
Claims payable	157,971
Unearned revenue	408
Net cash (used in) operating activities	<u><u>\$ (772,106)</u></u>

See accompanying notes to the basic financial statements.

Heartland Area Education Agency
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2023

Exhibit J

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	\$ 642,944
Total Assets	<u>642,944</u>
Liabilities	
Accounts payable	<u>81,070</u>
Net Position	
Restricted	<u>\$ 561,874</u>

See accompanying notes to the basic financial statements.

Heartland Area Education Agency
Statement of Revenues, Expenses and Changes in Net Position
Fiduciary Fund
Year Ended June 30, 2023

Exhibit K

	Custodial Fund
Additions	
State sources	\$ 572,377
Deductions	
Purchased services	4,355
Claims and administration	459,183
Total deductions	463,538
Change in net position	108,839
Net position, beginning of the year	453,035
Net position, end of year	\$ 561,874

See accompanying notes to the basic financial statements.

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies

Heartland Area Education Agency (Agency) is an intermediate school corporation between the State Department of Education and the local school districts in its area as provided by Chapter 273 of the Code of Iowa. The Agency provides programs and support services necessary to meet the identified educational needs in the local school districts to enable them to operate efficiently and effectively. The Agency serves 53 school districts and 30 accredited non-public schools in an eleven-county area. A Board of Directors, whose members are elected on a non-partisan basis, governs the Agency.

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

A. Reporting Entity

For financial reporting purposes, Heartland Area Education Agency has included all funds, organizations, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set 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. Heartland Area Education Agency has no component units that meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Agency does not have business-type activities.

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

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes, state aid, non-categorical federal funds, and unrestricted interest income are reported as general revenues.

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

The Agency reports the following major governmental fund:

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

The Agency reports the following non-major governmental funds:

Special Revenue funds are used to account for the revenue sources that are legally restricted to expenditures for specific purposes. The Agency reports the following special revenue funds:

The Special Revenue, Correctional Facilities Fund is used to account for a program where the Agency employs teachers to provide instruction to special education pupils. The actual costs of providing instructional services to the pupils are billed to the individual school districts or to the state of Iowa.

The Special Revenue, Shelter Care Fund is used to account for instructional programs where the Agency employs teachers to provide instruction to pupils in juvenile shelters and juvenile detention facilities. The actual costs of providing these instructional services are paid by the State of Iowa.

The Debt Service Fund is used to account for all resources used in the payment of long-term debt.

The Capital Project Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Proprietary fund types are used to account for the Agency's ongoing activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The Agency reports the following proprietary fund:

The Internal Service Fund is used to account for goods or services provided by one department to other departments of the Agency on a cost reimbursement basis. The Internal Service Fund is used to account for the self-funded health and dental insurance programs and health reimbursement accounts.

Fiduciary fund types are used to account for net position and changes in net position. The Agency has one fiduciary fund which is considered a Custodial Fund. The CTE Custodial Fund is to account for the distribution of the state match for the Perkins awards to local education agencies through the Region 11 Career and Technical Education Partnership. The Agency is a member and the fiscal agent of the partnership.

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Measurement Focus and Basis of Accounting

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

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

Intergovernmental revenues (state aid, property tax, shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Revenue-exchange and nonexchange: Nonexchange transactions, in which the Agency receives value without directly giving equal value in return include property tax, state aid, grants, entitlements and donations. Revenue from nonexchange transactions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Agency must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Agency on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

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 recorded as other financing sources.

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency's Internal Service Fund is charges for services. Operating expenses for Internal Service Fund include the cost of claims, administrative expenses and stop-loss re-insurance expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. As allowed by Governmental Accounting Standards Board Statement No. 41, Budgetary Comparison Schedules-Perspective Differences, the Agency presents budgetary comparison schedules based on the program structure of function areas as required by state statute for its legally adopted budget. The legal level of control is at the total expenditure/expense level.

The Agency overexpended budgeted expenditures by \$896,136 due to the debt service for IT subscriptions and leases.

F. Assets, Liabilities and Fund Equity

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

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.

Capital Assets - Capital assets, which include property, furniture and equipment, and intangibles are reported in the governmental column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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 of \$5,000 or more.

Right-to-use leased assets are initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs to place the assets in service. Subsequently, the leased assets are amortized on a straight-line basis over the shorter of the life of the lease or estimated useful life of the asset.

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements	20
Intangibles	5-10
Furniture and equipment	5
Film and book library	10

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

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

Unearned revenue: Proprietary funds defer revenue recognition in connection with resources that have been received, but not earned. Unearned revenue in governmental funds arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. Unearned revenue in the governmental funds consists of class and registration fees of \$152,003 collected for programs and services that will be provided in the next fiscal year.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the Statement of Net Position representing the Agency's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2023. The compensated absences liability attributable to the governmental activities will be paid by the General and special revenue funds.

Leases: The Agency is a lessee for noncancellable leases of equipment. The Agency recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

At the commencement of a lease, the Agency initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial costs to place the asset in service. Subsequently, the lease asset is amortized on a straight-line basis over the life of the lease.

Key estimates and judgments related to leases include how the Agency determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

The Agency uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Agency generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Agency is reasonably certain to exercise.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Subscription-Based Information Technology Arrangements (SBITA) – The Agency has entered into contracts that convey control of the right to use information technology software. The Agency has recognized an IT subscription liability and an intangible right-to-use IT subscription asset in the government-wide financial statements.

At the commencement of the IT subscription term, the Agency initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the IT subscription liability is reduced by the principal portion of payments made. The right-to-use an IT subscription asset is initially measured as the sum of the initial IT subscription liability, adjusted for payments made at or before the commencement date, plus capitalization implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the right-to-use IT subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to IT subscription arrangements include how the Agency determines the discount rate it uses to discount the expected payments to present value, term and payments.

The Agency uses the interest rate charged by the IT subscription vendor as the discount rate. When the interest rate charged by the vendor is not provided, the Agency generally uses its estimated incremental borrowing rate as the discount rate.

The IT subscription term includes the noncancellable period of the subscription. Payments included in the measurement of the liability are composed of fixed payments.

The Agency monitors changes in circumstances that would require a remeasurement of its IT subscription and will remeasure the right-to-use IT subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use IT subscription assets are reported with other capital assets and IT subscription liabilities are reported with long-term debt on the statement of net position.

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.

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

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

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Agency's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources - Deferred inflows of resources represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the unrecognized items not yet charged to pension expense or other postemployment benefit expense.

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, 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 intended to be used for a specific purpose but do not meet the criteria to be classified as restricted or committed. The authority to assign fund balances has been delegated to the Chief Financial Officer through the Board approved budget by the Agency.

Unassigned – All amounts not included in other spendable classifications as well as any deficit fund balance of any other governmental fund is reported as unassigned.

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

The Agency's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the Agency considers committed funds to be expended first followed by assigned funds and then unassigned.

Note 2. Cash, Pooled Investments and Cash Equivalents

The Agency's deposits in banks at June 30, 2023 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The Agency had investments in the Iowa Schools Joint Investment Trust Direct Government Obligation Portfolio, which is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. As of June 30, 2023 \$1,197 was invested with the Iowa Schools Joint Investment Trust. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services. There was no limitation or restriction on withdrawals of the investment. The Agency does not have a separate credit risk policy from state statutes.

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

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2023 is as follows:

	Restated Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,136,985	\$ -	\$ -	\$ 1,136,985
Construction in progress	-	2,088,061	-	2,088,061
Total capital assets, not being depreciated	1,136,985	2,088,061	-	3,225,046
Capital assets, being depreciated:				
Buildings	6,147,926	-	186,855	5,961,071
Improvements other than buildings	6,404,754	-	21,306	6,383,448
Furniture and equipment	3,246,890	973,760	55,795	4,164,855
Intangibles	1,420,748	-	-	1,420,748
Intangibles, right to use	1,140,268	190,188	-	1,330,456
Right to use IT subscription	3,243,111	19,506	-	3,262,617
Library/media collection	1,769,181	73,407	119,196	1,723,392
Total capital assets, being depreciated	23,372,878	1,256,861	383,152	24,246,587
Accumulated depreciation and amortization:				
Buildings	2,758,322	121,921	47,504	2,832,739
Improvements other than buildings	3,481,147	265,278	13,427	3,732,998
Furniture and equipment	2,733,550	213,699	55,795	2,891,454
Intangibles	1,361,725	24,439	-	1,386,164
Intangibles, right to use	491,997	202,031	-	694,028
Right to use IT subscription	1,181,304	798,871	-	1,980,175
Library/media collection	1,653,042	21,710	119,196	1,555,556
Total accumulated depreciation and amortization	13,661,087	1,647,949	235,922	15,073,114
Total capital assets, being depreciated, net	9,711,791	(391,088)	147,230	9,173,473
Governmental activities capital assets, net	\$ 10,848,776	\$ 1,696,973	\$ 147,230	\$ 12,398,519

Depreciation expense is charged to functions of the Agency as follows:

Governmental Activities:

Instruction	\$ 5,346
Student support services	49,496
Instructional staff support	52,398
Regional administration	16,833
Business services	306,753
Plant operations and maintenance	459,137
Unallocated	757,986
Total Governmental Activities Depreciation Expense	\$ 1,647,949

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 4. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	Restated 2022	Additions	Deletions	2023	Due Within One Year
Compensated absences	\$ 680,014	\$ 621,686	\$ 680,014	\$ 621,686	\$ 621,686
Leased equipment	111,474	-	36,906	74,568	21,621
Building lease	550,155	190,188	157,001	583,342	158,851
Subscription liability	587,133	1,896,620	843,825	1,639,928	469,158
Total OPEB liability	2,253,427	9,871	-	2,263,298	-
Net pension liability	916,191	24,806,503	-	25,722,694	-
	<u>\$ 5,098,394</u>	<u>\$27,524,868</u>	<u>\$ 1,717,746</u>	<u>\$30,905,516</u>	<u>\$ 1,271,316</u>

Compensated absences, total OPEB liability and net pension liability are liquidated from the General Fund and special revenue funds.

Leases:

The Agency leases Marco copiers and print shop equipment. The leases expire between June 30, 2023 and June 30, 2027. The details of the leases are as follows:

	Marco Copier Lease		
	Principal	Interest	Total
2024	\$ 21,621	\$ 4,989	\$ 26,610
2025	23,346	3,264	26,610
2026	25,208	1,402	26,610
2027	4,393	42	4,435
Total	<u>\$ 74,568</u>	<u>\$ 9,697</u>	<u>\$ 79,830</u>

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 4. Long-Term Liabilities (Continued)

The Agency leases several offices within its service area. The leases expire between June 30, 2023 and June 30, 2031. 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 the leases will be renewed or replaced by other leases.

Ankeny				Altoona			
	Principal	Interest	Total		Principal	Interest	Total
2024	\$ 36,215	\$ 4,410	\$ 40,625	2024	\$ 28,720	\$ 2,468	\$ 31,188
2025	37,410	3,215	40,625	2025	29,667	1,521	31,188
2026	38,644	1,981	40,625	2026	30,646	542	31,188
2027	39,919	706	40,625	2027	-	-	-
Total	\$ 152,188	\$ 10,312	\$ 121,875	Total	\$ 89,033	\$ 4,531	\$ 93,564

DMACC Carroll				DMACC Newton			
	Principal	Interest	Total		Principal	Interest	Total
2024	\$ 11,323	\$ 277	\$ 11,600	2024	\$ 27,709	\$ 677	\$ 28,386
Total	\$ 11,323	\$ 277	\$ 11,600	Total	\$ 27,709	\$ 677	\$ 28,386

Knoxville Office				Indianola Office			
	Principal	Interest	Total		Principal	Interest	Total
2024	\$ 15,398	\$ 802	\$ 16,200	2024	\$ 22,158	\$ 2,742	\$ 24,900
2025	15,914	286	16,200	2025	22,900	2,000	24,900
2026	-	-	-	2026	23,668	1,232	24,900
2027	-	-	-	2027	24,461	439	24,900
Total	\$ 31,312	\$ 1,088	\$ 32,400	Total	\$ 93,187	\$ 6,413	\$ 74,700

Dixon Warehouse				Total Building Lease			
	Principal	Interest	Total		Principal	Interest	Total
2024	\$ 17,328	\$ 10,677	\$ 28,005	2024	\$ 158,851	\$ 22,053	\$ 180,904
2025	19,307	9,538	28,845	2025	125,198	16,560	141,758
2026	20,846	8,282	29,128	2026	113,804	12,037	125,841
2027	23,392	6,919	30,311	2027	87,772	8,064	95,836
2028	26,147	5,373	31,520	2028	26,147	20,216	46,363
2029-2031	71,570	5,592	77,162	2029-2031	71,570	5,592	77,162
Total	\$ 178,590	\$ 46,381	\$ 224,971	Total	\$ 583,342	\$ 84,522	\$ 667,864

Subscriptions:

The Agency has entered into several subscription-based information technology agreements (SBITA). The agreements expire between June 30, 2023 and June 30, 2027. The details of the agreements are as follows:

SBITA			
	Principal	Interest	Total
2024	\$ 469,158	\$ 102,496	\$ 571,654
2025	487,685	73,174	560,859
2026	331,193	42,693	373,886
2027	351,892	21,993	373,885
Total	\$ 1,639,928	\$ 240,356	\$ 1,506,399

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 5. Pension and Retirement Benefits

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

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

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

- A multiplier based on years of service
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

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

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

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

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

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 5. Pension and Retirement Benefits (Continued)

In fiscal year 2023, pursuant to the required rate, Regular members contributed 6.29 percent of covered payroll and the Agency contributed 9.44 percent for a total rate of 15.73 percent.

The Agency's contributions to IPERS for the year ended June 30, 2023 were \$5,377,869.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the Agency reported a liability of \$25,722,694 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2022, the Agency's proportion was 0.68080 percent, which was an increase of 0.0273 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Agency recognized pension expense (income) of (\$208,651). At June 30, 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,140,285	\$ 352,345
Changes of assumptions	21,826	615
Net difference between projected and actual earnings on pension plan investments	-	2,753,533
Changes in proportion and differences between Agency contributions and proportionate share of contributions	869,381	246,205
Agency contributions subsequent to the measurement date	5,377,869	-
Total	\$ 7,409,361	\$ 3,352,698

\$5,377,869 reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2024	\$ (2,058,778)
2025	(1,622,886)
2026	(3,269,788)
2027	5,596,710
2028	33,536
Thereafter	-
Total	\$ (1,321,206)

There were no non-employer contributing entities to IPERS.

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 5. Pension and Retirement Benefits (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2022 actuarial valuation was determined using the following key actuarial assumptions and other inputs, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2017)	2.60 percent per annum
Salary Increases (effective June 30, 2017)	3.25 percent to 16.25 percent average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 2017)	7.00 percent, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25 percent per annum, based on 2.60 percent inflation and 0.65 percent real wage inflation

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021. Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	3.57%
International Equity	17.5%	4.79%
Global Smart Beta Equity	6.0%	4.16%
Core Plus Fixed Income	20.0%	1.66%
Public Credit	4.0%	3.77%
Cash	1.0%	0.77%
Private Equity	13.0%	7.57%
Private Real Assets	8.5%	3.55%
Private Credit	8.0%	3.63%
Total	<u>100%</u>	

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 5. Pension and Retirement Benefits (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Agency's proportionate share of the net pension liability	\$ 47,924,472	\$ 25,722,694	\$ 6,156,826

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2023, the Agency reported payables to the defined benefit pension plan of \$461,329 for legally required employer contributions and \$307,390 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The Agency's defined benefit OPEB plan, Heartland Area Education Agency Postemployment Plan Other Than Pensions (the Plan), provides postemployment benefits for eligible participants enrolled in its plans. The Plan is a single employer defined benefit OPEB plan administered by the Agency. Under Chapter 509A.13 of the Code of Iowa, "Group Insurance for Public Employees," if a governing body has procured insurance for its employees, the governing body shall allow its employees who retired before the age of sixty-five years of age to continue participation in the group plan at the employee's own expense until the employee attains sixty-five years of age. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75.

Benefits provided: Employees who attain age 58 with at least 15 years of continuous service are eligible for the Agency's early retirement benefits until age 65. These include Agency-paid life, medical and dental insurance. Medical and dental premiums paid by the Agency are frozen at the level of the least expensive single premium in the year of retirement. After June 2016, this benefit was closed to any future retirees. Retirees who are not eligible for the subsidy benefit are required to contribute 100% of the premium cost in order to continue coverage.

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 6. Other Postemployment Benefits (OPEB) (Continued)

The full monthly premium rates as of July 1, 2023 for each plan are as shown below:

Rate Tier	Health	
	\$1000 HMO	\$2000 HMO
Retiree Only	618	551
Retiree & Family	1544	1378

Employees covered by benefit terms: At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	37
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	753
	<u>790</u>

Total OPEB Liability

The Agency's total OPEB liability of \$2,263,298 was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023.

Actuarial assumptions and other inputs: The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.0% per annum
Salary increases	3.25% per annum
Discount rate	3.65% per annum
Retirees' share of benefit-related costs	100%
Health care cost trend rate	6.50%, with ultimate 4.00%

The discount rate was based on the Bond Buyer 20-Bond GO index.

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 6. Other Postemployment Benefits (OPEB) (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2022	\$ 2,253,427
Changes for the year:	
Service cost	196,179
Interest	82,301
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(19,163)
Benefit payments	(249,446)
Net changes	9,871
Balance at June 30, 2023	\$ 2,263,298

There were no changes as a result of changes in benefit terms. Changes of assumptions or other inputs reflect a change in the discount rate from 3.54% per annum in 2022 to 3.65% per annum in 2023.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
	2.65%	3.65%	4.65%
Total OPEB liability	\$ 2,444,000	\$ 2,263,298	\$ 2,105,000

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	5.50%	6.50%	7.50%
Total OPEB liability	\$ 2,037,000	\$ 2,263,298	\$ 2,535,000

For the year ended June 30, 2023, the Agency recognized OPEB expense of \$304,883. At June 30, 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 400,018	\$ 114,422
Changes of assumptions or other inputs	169,393	122,882
Net difference between projected and actual investments	-	-
Total	\$ 569,411	\$ 237,304

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 6. Other Postemployment Benefits (OPEB) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2024	\$	26,403
2025		26,403
2026		26,403
2027		26,403
2028		28,648
Thereafter		197,847
Total	\$	332,107

Note 7. Risk Management

As of July 1, 2013, the Agency has a self-funded health and dental insurance plan. The Agency purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125 percent of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$85,000 in insured claims for any one covered individual. Settled claims have not exceeded the aggregate stop-loss coverage in the current year or commercial insurance in the previous three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for incurred but unpaid claims. Changes in the claims liability amounts for the years ended June 30, 2023 and 2022 were as follows:

	Self-Insurance Fund	
	2023	2022
Claims payable, beginning of year	\$ 1,242,374	\$ 590,000
Incurred claims (including IBNR and changes in estimates)	8,997,655	8,453,876
Claim payments	8,839,684	7,801,502
Claims payable, end of year	<u>\$ 1,400,345</u>	<u>\$ 1,242,374</u>

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

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 8. Interfund Transfers

The following is a schedule of transfers as included in the basic financial statements of the Agency:

	Transfers In	Transfers Out
Major Fund, General Fund	\$ -	\$ 3,191,921
Non-major Funds:		
Capital Project Fund	2,088,061	-
Debt Service Fund	1,103,860	-
	<u>\$ 3,191,921</u>	<u>\$ 3,191,921</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The General Fund transferred cash to the nonmajor Debt Service Fund for IT subscription and lease liability debt service payments. The General Fund transferred cash to the nonmajor Capital Project Fund for capital facilities improvements.

Note 9. New Governmental Accounting Standards Board (GASB) Statements

The Agency adopted the following statements during the year ended June 30, 2023:

GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2019. This Statement clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements association with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription assets- an intangible asset- and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and 4) requires note disclosures regarding a SBITA.

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 9. New Governmental Accounting Standards Board (GASB) Statements (Continued)

GASB Statement No. 99, *Omnibus 2022*, issued April 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Other than the restatement for the implementation of GASB Statement No. 96 discussed in Note 10, the implementation of the above statements did not have a material impact on the Agency's Financial Statements.

As of June 30, 2023, GASB had issued several statements not yet required to be implemented by the Agency. The Statements which might impact the Agency are as follows:

GASB Statement No. 100, *Accounting Changes and Error Corrections- An Amendment of GASB Statement No. 62*, issued June 2022, will be effective for the Agency beginning with its fiscal year ending June 30, 2024. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *Compensated Absences*, issued June 2022, will be effective for the Agency beginning with its fiscal year ending June 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. This Statement amends the existing requirements to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (As long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The Agency's management has not yet determined the effect these Statements will have on the Agency's financial statements.

Heartland Area Education Agency

Notes to Basic Financial Statements Year Ended June 30, 2023

Note 10. Restatement

Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, was implemented during fiscal year 2023. The new requirements require the reporting of certain right-to-use subscription-based IT arrangements and liabilities which were previously not reported. The beginning net position was restated as follows:

	Governmental Activities
Net position June 30, 2022, as previously reported	\$ 3,026,784
Right to use subscription asset	3,243,111
Right to use subscription asset accumulated amortization	(1,181,304)
Subscription obligation	(587,133)
Net position June 30, 2022, as restated	<u>\$ 4,501,458</u>

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Heartland Area Education Agency
Required Supplementary Information
Budgetary Comparison Schedule-All Governmental Funds
For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final budget- Positive (Negative)
Revenues				
Local sources	\$ 32,296,658	\$ 34,236,517	\$ 34,679,110	\$ 442,593
State sources	45,112,266	42,511,603	42,415,935	(95,668)
Federal sources	36,090,606	37,913,019	37,699,725	(213,294)
Total revenues	113,499,530	114,661,139	114,794,770	133,631
Expenditures				
Instruction	4,203,552	5,942,854	4,195,279	1,747,575
Student support services	49,861,700	45,883,314	45,802,077	81,237
Instructional staff support services	34,908,253	34,330,500	36,236,275	(1,905,775)
General administration	5,121,252	5,520,204	5,669,355	(149,151)
Regional administration	4,949,461	4,867,373	4,861,603	5,770
Business administration	6,843,725	1,507,834	1,514,978	(7,144)
Central and other support services	-	5,645,160	5,293,853	351,307
Printing and delivery	1,198,369	1,320,646	1,374,726	(54,080)
Plant operations and maintenance	1,561,181	1,980,854	2,401,591	(420,737)
Student transportation	3,750	3,000	-	3,000
Management services	480	-	-	-
Community services operations	242,072	246,857	178,074	68,783
LEA Part B flowthrough	6,876,777	6,894,886	6,894,886	-
Facilities acquisition	-	2,360,000	2,088,061	271,939
Debt service:				
Principal	-	215,000	1,037,732	(822,732)
Interest	-	-	66,128	(66,128)
Total expenditures	115,770,572	116,718,482	117,614,618	(896,136)
Excess (deficiency) of revenues over expenditures	(2,271,042)	(2,057,343)	(2,819,848)	(762,505)
Other financing sources:				
Other	-	-	1,670	1,670
Sale of equipment	50,000	50,000	-	(50,000)
Issuance of lease obligation	-	-	190,188	190,188
Issuance of long-term debt	-	-	1,896,620	1,896,620
Transfer in	-	2,575,000	3,191,921	616,921
Transfer (out)	-	(2,575,000)	(3,191,921)	(616,921)
Total other financing sources	50,000	50,000	2,088,478	2,038,478
Excess (deficiency) of revenues over (under) expenditures and other financing sources	\$ (2,221,042)	\$ (2,007,343)	\$ (731,370)	\$ 1,275,973

See Notes to Required Supplementary Information.

Heartland Area Education Agency

Required Supplementary Information Schedule of Changes in the Agency's Total OPEB Liability and Related Ratios Last Six Fiscal Years

	2023	2022
Total OPEB liability		
Changes for the year:		
Service cost	\$ 196,179	\$ 162,947
Interest	82,301	42,361
Changes of benefit terms	-	-
Differences between expected and actual experience	-	462,036
Changes in assumptions or other inputs	(19,163)	(104,696)
Benefit payments	(249,446)	(214,818)
Net changes in total OPEB liability	9,871	347,830
Total OPEB liability - beginning	2,253,427	1,905,597
Total OPEB liability - ending	<u>\$ 2,263,298</u>	<u>\$ 2,253,427</u>
Covered employee payroll	\$ 53,371,306	\$ 53,371,306
Total OPEB liability as a percentage of covered employee payroll	4%	4%

Notes to Schedule:

Changes of benefit terms:

There were no changes as a result of changes in benefit terms.

Changes of assumption:

Changes of assumptions or other inputs reflect a change in the discount rate. The following are the rates used in each period:

3.65%	3.54%
-------	-------

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75.

Note: The schedule is intended to present information for ten years. Information prior to 2018 is not available.

See Notes to Required Supplementary Information.

2021	2020	2019	2018
\$ 158,337	\$ 139,158	\$ 127,427	\$ 122,679
43,725	69,882	82,438	93,744
-	-	-	-
-	(153,541)	-	-
6,654	189,058	44,832	(34,291)
(246,615)	(317,091)	(482,838)	(475,601)
(37,899)	(72,534)	(228,141)	(293,469)
1,943,496	2,016,030	2,244,171	2,537,640
\$ 1,905,597	\$ 1,943,496	\$ 2,016,030	\$ 2,244,171
\$ 49,546,000	\$ 47,986,470	\$ 46,476,000	\$ 44,904,589
4%	4%	4%	5%
2.16%	2.21%	3.50%	3.87%

Heartland Area Education Agency

Required Supplementary Information

Schedule of the Agency's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System

Last Nine Fiscal Years

(In Thousands)

	2023*	2022*	2021*
Agency's proportion of the net pension liability	0.6808%	0.6535%	0.6512%
Agency's proportionate share of the net pension liability	\$ 25,723	\$ 916	\$ 45,427
Agency's covered-employee payroll	\$ 54,834	\$ 53,038	\$ 51,321
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	46.91%	1.73%	88.52%
Plan fiduciary net pension as a percentage of the total pension liability	91.40%	100.81%	82.90%

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

Note: The schedule is intended to present information for ten years. Information prior to 2015 is not available.

See Notes to Required Supplementary Information.

	2020*		2019*		2018*		2017*		2016*		2015*
	0.6387%		0.6188%		0.5875%		0.5916%		0.5960%		0.5877%
\$	36,986	\$	39,161	\$	39,137	\$	37,232	\$	29,629	\$	23,784
\$	48,609	\$	46,510	\$	43,856	\$	42,456	\$	41,085	\$	39,253
	76.09%		84.20%		89.24%		87.70%		72.12%		60.59%
	85.45%		83.62%		82.21%		81.82%		85.19%		87.61%

Heartland Area Education Agency**Required Supplementary Information
Schedule of Agency Contributions
Iowa Public Employees' Retirement System
Last Ten Fiscal Years**

	2023	2022	2021	2020
Statutorily required contribution	\$ 5,378	\$ 5,176	\$ 5,007	\$ 4,844
Contributions in relation to the statutorily required contribution	\$ (5,378)	\$ (5,176)	\$ (5,007)	\$ (4,844)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Agency's covered-employee payroll	\$ 56,969	\$ 54,834	\$ 53,038	\$ 51,321
Contributions as a percentage of covered-employee payroll	9.44%	9.44%	9.44%	9.44%

Note: Amounts in thousands

See Notes to Required Supplementary Information.

2019	2018	2017	2016	2015	2014
\$ 4,589	\$ 4,153	\$ 3,916	\$ 3,791	\$ 3,669	\$ 3,505
\$ (4,589)	\$ (4,153)	\$ (3,916)	\$ (3,791)	\$ (3,669)	\$ (3,505)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 48,609	\$ 46,510	\$ 43,856	\$ 42,456	\$ 41,085	\$ 39,253
9.44%	8.93%	8.93%	8.93%	8.93%	8.93%

Heartland Area Education Agency

Notes to Required Supplementary Information Year Ended June 30, 2023

Note 1. Budgets and Budgetary Information

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

The budget was amended once during the year to increase revenues and other financing sources \$1,161,609 and increase expenditures and other financing uses \$947,910. For the year ended June 30, 2023, the Agency's expenditures/expenses exceeded the approved budget in the instructional staff support services, general administration, business administration, printing and delivery, plant operations and maintenance, and debt service functions.

The Agency overexpended total budget expenditures by \$896,136 due to debt service for IT subscriptions and leases.

Note 2. Iowa Public Employees' Retirement System Pension Liability

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

Note 2. Iowa Public Employees' Retirement System Pension Liability (Continued)

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

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

Heartland Area Education Agency
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

Schedule 1

	Special Revenue				
	Correctional Facilities	Shelter Care	Capital Project	Debt Service	Total
Assets					
Cash and Cash Equivalents	\$ -	\$ 243,883	\$ 93,303	\$ -	\$ 337,186
Due from Other Governments	3,834	29,775	-	-	33,609
Total Assets	<u>3,834</u>	<u>273,658</u>	<u>93,303</u>	<u>-</u>	<u>370,795</u>
Liabilities and Fund Balance					
Liabilities					
Accounts Payable and Other					
Current Liabilities	-	273,658	93,303	-	366,961
Excess of Warrants Issued Over					
Bank Balance	3,834	-	-	-	3,834
Total Liabilities	<u>3,834</u>	<u>273,658</u>	<u>93,303</u>	<u>-</u>	<u>370,795</u>
Fund Balance					
Unassigned	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 3,834</u>	<u>\$ 273,658</u>	<u>\$ 93,303</u>	<u>\$ -</u>	<u>\$ 370,795</u>

Heartland Area Education Agency
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances-Nonmajor Governmental Funds
For the Year Ended June 30, 2023

Schedule 2

	Special Revenue				
	Correctional Facilities	Shelter Care	Capital Project	Debt Service	Total
Revenues					
Local Sources	\$ 3,834	\$ -	\$ -	\$ -	\$ 3,834
State Sources	-	1,476,677	-	-	1,476,677
Federal Sources	-	92,208	-	-	92,208
Total Revenues	3,834	1,568,885	-	-	1,572,719
Expenditures					
Instruction	3,834	1,304,062	-	-	1,307,896
Instructional Staff Support Services	-	84,972	-	-	84,972
General Administration	-	139,934	-	-	139,934
Central and Other Support Services	-	1,525	-	-	1,525
Plant Operations and Maintenance	-	38,392	-	-	38,392
Facilities acquisition	-	-	2,088,061	-	2,088,061
Debt Service:					
Principal	-	-	-	1,037,732	1,037,732
Interest	-	-	-	66,128	66,128
Total Expenditures	3,834	1,568,885	2,088,061	1,103,860	4,764,640
(Deficiency) of revenues					
(under) expenditures	-	-	(2,088,061)	(1,103,860)	(3,191,921)
Other financing sources:					
Transfer in	-	-	2,088,061	1,103,860	3,191,921
Net Change in Fund Balances	-	-	-	-	-
Fund Balances--Beginning	-	-	-	-	-
Fund Balances--Ending	\$ -	\$ -	\$ -	\$ -	\$ -

Heartland Area Education Agency
Schedule of Revenues by Source and Expenditures by Function -
All Governmental Fund Types
For the Last Nine Years

	Modified Accrual Basis			
	For the years Ending June 30,			
	2023	2022	2021	2020
Revenues				
Local sources	\$ 34,679,110	\$ 32,112,452	\$ 31,349,415	\$ 30,658,686
State	42,415,935	41,144,989	40,293,314	39,051,861
Federal	37,699,725	38,319,470	33,532,789	31,875,307
Total Revenues	\$ 114,794,770	\$ 111,576,911	\$ 105,175,518	\$ 101,585,854
Expenditures				
Instruction	\$ 4,195,279	\$ 3,763,455	\$ 3,934,100	\$ 4,147,864
Student support services	45,802,077	44,067,084	43,193,705	42,246,888
Instructional staff support services	36,236,275	34,147,289	31,900,561	29,591,000
General administration	5,669,355	4,863,875	4,896,202	4,733,464
Regional administration	4,861,603	5,091,664	4,980,615	4,978,989
Business administration	1,514,978	1,719,393	1,473,361	1,450,633
Central & other support services	5,293,853	5,179,011	5,083,537	5,392,284
Printing and delivery services	1,374,726	1,199,841	1,124,135	1,084,795
Plant operations and maintenance	2,401,591	1,651,247	1,244,504	1,127,534
Student transportation	-	-	-	382
Management services	-	-	391	480
Community services	178,074	178,816	158,948	192,867
LEA Part B Flowthrough	6,894,886	7,937,694	6,841,918	6,777,052
Facilities acquisition	2,088,061	-	122,665	-
Debt Service:				
Principal	1,037,732	188,234	-	-
Interest	66,128	22,132	-	-
Total Expenditures	\$ 117,614,618	\$ 110,009,735	\$ 104,954,642	\$ 101,724,232

Modified Accrual Basis				
For the years Ending June 30,				
2019	2018	2017	2016	2015
\$ 30,714,504	\$ 29,305,419	\$ 28,259,848	\$ 27,151,205	\$ 27,234,174
37,515,746	36,597,714	34,747,403	34,250,148	33,144,661
31,870,762	30,126,499	30,099,222	28,896,989	28,048,105
\$ 100,101,012	\$ 96,029,632	\$ 93,106,473	\$ 90,298,342	\$ 88,426,940
\$ 4,104,161	\$ 3,547,369	\$ 3,644,248	\$ 3,527,717	\$ 3,300,903
40,959,196	38,659,883	36,433,639	34,963,013	34,357,580
29,156,634	28,096,202	27,287,579	26,486,774	26,406,625
4,405,813	4,294,004	4,042,917	3,738,523	3,639,092
4,848,642	5,046,884	4,960,737	4,692,903	4,158,171
1,497,129	1,515,484	1,510,494	1,474,058	1,587,326
5,140,052	4,635,885	4,875,970	4,877,681	4,430,098
1,104,231	1,106,914	1,067,712	1,017,461	952,488
1,170,725	1,141,432	1,304,708	1,310,924	1,351,465
175	66	2,443	495	658
95,478	90,042	7,503	140,078	128,562
171,788	180,235	173,402	164,735	168,155
6,698,256	6,634,858	6,562,379	6,494,137	6,445,956
51,880	34,378	1,018,906	275,911	88,134
-	-	-	-	-
-	-	-	-	-
\$ 99,404,160	\$ 94,983,636	\$ 92,892,637	\$ 89,164,410	\$ 87,015,213

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Heartland Area Education Agency

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program Title	Contract or Pass- Through Entity Identifying Number	Federal Assistance Listing Number	Provided To Subrecipients	Federal Expenditures
U.S. Department of Education:				
Pass-Through Iowa Department of Education:				
Special Education Cluster (IDEA):				
COVID-19 ARP Special Education Grants to States, I.D.E.A. Part B	FY23 4031	84.027x	\$ -	\$ 2,795,058
Special Education Grants to States, IDEA Part B	FY23 4611	84.027	-	24,451,001
Special Education Grants to States, IDEA Part B	FY23 4611	84.027	6,894,886	6,894,886
Special Education Grants to States, IDEA Part B	FY23 4624	84.027	-	190,419
Special Education Grants to States, IDEA Part B	FY23 4511	84.027	-	2,682
			6,894,886	34,334,046
Special Education Preschool Grants	FY23 4641	84.173	-	578,423
COVID-19 ARP Special Education Preschool Grants	FY23 4032	84.173x	-	224,757
			-	803,180
Total Special Education Cluster (IDEA)			6,894,886	35,137,226
Special Education- Grants for Infants and Families	FY23 4671	84.181	-	759,877
COVID-19 ARP Special Education- Grants for Infants and Families	FY23 4033	84.181X	-	167,816
			-	927,693
Title 1 Grants to Local Educational Agencies	FY23 4719	84.010	-	428,403
Title 1 Grants to Local Educational Agencies	FY23 4717	84.010	-	404,615
Title 1 Grants to Local Educational Agencies	FY23 4781	84.010	-	25,428
Title 1 Grants to Local Educational Agencies	FY23 4711	84.010	-	69,150
			-	927,596
COVID-19 ARP-Elementary and Secondary School Emergency Relief (ARP-HCY-II) Fund	FY23 4044	84.425W	-	17,809
Supporting Effective Instruction State Grants	FY23 4643	84.367	-	29,525
English Language Acquisition State Grants	FY23 4644	84.365	-	650,256
Total Expenditures of Federal Awards			\$ 6,894,886	\$ 37,690,105

See Notes to Schedule of Expenditures of Federal Awards

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**Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Agency under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net position or cash flows of the Agency.

Note 2. Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue from federal awards is recognized when the Agency has done everything necessary to establish its right to revenue. The Agency has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

Note 3. Indirect Cost Rate

The Agency has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

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Heartland Area Education Agency

Summary Schedule of Prior Audit Findings Year Ended June 30, 2023

Findings	Corrective Action Plan or	
	Status	Other Explanation

NONE.

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

To the Board of Directors
Heartland Area Education Agency
Johnston, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Heartland Area Education Agency, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated November 13, 2023.

Our report included an emphasis of matter paragraph for implementation of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Heartland Area Education Agency's internal control over financial reporting (internal control) as a basis for designing 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 Heartland Area Education Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Heartland Area Education Agency's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heartland Area Education Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 the Agency's operations for the year ended June 30, 2023 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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 Heartland Area Education Agency'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 Heartland Area Education Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Moline, Illinois
November 13, 2023



**Independent Auditor's Report on Compliance For
Each Major Federal Program and On Internal Control
Over Compliance Required by the Uniform Guidance**

To the Board of Directors
Heartland Area Education Agency
Johnston, Iowa

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Heartland Area Education Agency's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Heartland Area Education Agency's major federal programs for the year ended June 30, 2023. Heartland Area Education Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Heartland Area Education Agency complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Agency's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error; as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit,
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses,

as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Moline, Illinois
November 13, 2023

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Heartland Area Education Agency

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency identified?
- Noncompliance material to financial statements noted?

☐ Yes ☒ No
☐ Yes ☒ None Reported
☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency identified?

☐ Yes ☒ No
☐ 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 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major programs:

Assistance Listing

Number	Name of Federal Program or Cluster
--------	------------------------------------

Special Education Cluster (IDEA):

84.027	Special Education Grants to States, IDEA Part B
84.027x	COVID-19 ARP-Special Education Grants to States, IDEA Part B
84.173	Special Education-Preschool Grants
84.173x	COVID-19 ARP-Special Education- Preschool Grants

Dollar threshold used to distinguish between type A and type B programs: \$1,130,703

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

(Continued)

Heartland Area Education Agency

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

II. Findings Relating to the Basic Financial Statements

A. Internal Control

No matters reported.

B. Instances of Noncompliance

No matters reported.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control for Federal Awards

No matters reported.

B. Instances of Noncompliance

No matters reported.

IV. Other Findings Related to the Required Statutory Reporting

IV-A-23

Certified Budget –

Finding: Expenditures for the year ended June 30, 2023 exceeded the final approved budget by \$896,136.

Recommendation: We recommend amending the budget in sufficient amounts prior to exceeding the budget.

Response and Corrective Action Plan: The Agency will amend the budget for debt service requirements.

IV-B-23

Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-23

Travel Expense – No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

IV-D-23

Business Transactions – No business transactions between the Agency and Agency officials or employees were noted.

IV-E-23

Restricted Donor Activity – No transactions were noted between the Agency, Agency officials, Agency employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

IV-F-23

Bond Coverage – Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

Heartland Area Education Agency

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

IV-G-23

Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-H-23

Deposits and Investments – 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 were noted.

IV-I-23

Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-J-23

Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

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Heartland Area Education Agency

**Corrective Action Plan
Year Ended June 30, 2023**

Findings		Corrective Action Plan	Anticipated Date of Completion
Statutory Reporting:			
IV-A-23	The Agency exceeded the final amended budget expenditures.	See response and corrective action plan at IV-A-23.	Kurt Subra June 30, 2024