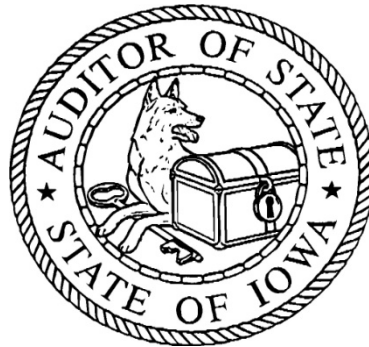


This guide is provided in accordance with Chapter 11.6(7) of the Code of Iowa. Use of this guide in your practice requires a proper implementation of professional standards. This guide is not a substitute for an understanding of the applicable professional standards. While this guide has been reviewed internally by CPAs within the Auditor of State's Office and is subject to outside peer review every three years, the guide has not undergone an external Quality Control Material Review or Examination.

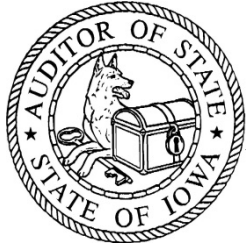
SAMPLE AREA EDUCATION AGENCY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2023

==== Office of =====
AUDITOR
OF STATE
State Capitol Building • Des Moines, Iowa



Rob Sand
Auditor of State



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Practitioners:

This sample report is presented by the Office of Auditor of State as required by Chapter 11.6 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client.

Audits of Area Education Agencies (AEA) should be performed in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).

This sample report has been prepared in conformity with U.S. generally accepted accounting principles and conforms to guidelines provided in Governmental Accounting and Financial Reporting Standards published by the Governmental Accounting Standards Board.

The format shows the basic financial statements, required and other supplementary information and the Schedule of Findings and Questioned Costs which are necessary to meet the requirements of this Office. The detail presented in the basic financial statements and supplementary information is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the AEA feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information to be shown as well as the footnotes to be presented.

AEAs with \$750,000 or more of federal expenditures are required to receive a Single Audit in accordance with the Uniform Guidance. Any questions concerning Single Audit requirements should be directed to the Agency's cognizant or oversight agency, which is generally:

Office of Inspector General
United States Department of Education
8930 Ward Parkway, Suite 2401
Kansas City, MO 64114-3302
(817) 268-0500

Iowa Department of Education
Division of School Finance and Support Services
Grimes Building
400 East 14th Street
Des Moines, IA 50319-0146
(515) 281-5293

In accordance with the Uniform Guidance, the reporting package and Data Collection Form shall be submitted to the central clearinghouse the earlier of 30 days after issuance of the audit report or 9 months after the reporting period. The Office of Management and Budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. The Data Collection Form and reporting package must be submitted using the Clearinghouse's Internet Data Entry System at <http://harvester.census.gov/facweb/>. The system requires the reporting package be uploaded in a single PDF file. Both the auditee and auditor contacts receive automated e-mails from the Federal Audit Clearinghouse as verification of the submission.

Under Rule 15c2-12 of the Securities and Exchange Commission governing ongoing disclosure by municipalities to the bond markets, virtually any municipality which issues more than \$1 million of securities per issue is subject to an ongoing filing responsibility. All continuing disclosure submissions must be provided to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. In addition, submissions must be in an electronic format (text-searchable PDF), i.e., not scanned.

The findings on compliance, items 2023-A through 2023-J, and 2023-K (if applicable), detail those items which are to be included regardless of whether there are any instances of non-compliance or not. Any instances of non-compliance in other areas should also be reported.

We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

As required by Chapter 11.14 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the AEA for the notification. We have developed a standard news release to be used for this purpose. The news release (paper copy or electronic format) should be completed by the CPA firm or the AEA and submitted to this Office with a **text-searchable** electronic copy of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make the audit report and news release available to the news media in our Office.

In accordance with Chapter 11.6(7) of the Code of Iowa, this Office is to be notified immediately regarding any suspected embezzlement, theft or other significant financial irregularities.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to Area Education Agencies. Together, we are able to provide a significant benefit to all taxpayers in the state.

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

Office of Auditor of State

Report Filing Requirements

Report – The AEA or CPA firm is required to submit an electronic, **text-searchable**, PDF copy of the audit report, including the management letter(s) if issued separately, with this Office upon release to the AEA within nine months following the end of the fiscal year subject to audit. Text-searchable files are required for the following reasons:

- The files created are much smaller in size than scanned-image files. Accordingly, text-searchable files require less storage space.
- Text-searchable files are required by the Census bureau when submitting Data Collection Forms and Single Audit reporting packages (i.e., consistent with Federal requirements).
- Text- searchable files provide transparency to the public.

Per Diem Audit Billing and News Release – A copy of the CPA firm's per diem audit billing, including total cost and hours, and a copy of the news release or media notification should also be submitted. These items can be submitted as either paper copies or electronic copies.

Filing Fee – The filing fee should be submitted based on the following designated budget strata:

<u>Budgeted Expenditures in Millions of Dollars</u>	<u>Filing Fee Amount</u>
Under 1	\$ 100
At least 1 but less than 3	175
At least 3 but less than 5	250
At least 5 but less than 10	425
At least 10 but less than 25	625
25 and over	850

Submission – Electronic submission (text-searchable PDF) of the audit report, per diem audit billing and news release should be e-mailed to SubmitReports@AOS.iowa.gov.

If you are unable to e-mail the PDF files, you may mail a CD containing the files to this Office. You may direct any questions about submitting electronic files to the above e-mail address.

An electronic (PDF format) copy of the audit report, including the management letter(s) if issued separately, should also be filed with the Iowa Department of Education. Each report should be emailed to ED.Audit@iowa.gov. For more information, call 515-281-5293.

Notify the Agency to remit the filing fee to the following address:

Office of Auditor of State
State Capitol Building
Room 111
1007 East Grand Avenue
Des Moines, IA 50319-0001

Early Childhood Iowa Area Board – For Area Education Agencies which act as a fiscal agent for an Early Childhood Iowa Area Board and have additional audit procedures performed for the Area Board as a part of the AEA’s audit, an electronic, text-searchable, PDF copy of the audit report, including the management letter(s) if issued separately, should be emailed to awinslo@dhs.state.ia.us or alebo@dhs.state.ia.us with the Iowa Department of Health and Human Services.

Sample Area Education Agency

Outline of Major Changes

- A. Implemented GASB (GASBS) No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The following changes have been made to the Sample Report:
- Revised the Independent Auditor’s Report to include an emphasis of a matter paragraph to address adoption of new accounting guidance related to GASBS No. 96.
 - Revised language to Note 1 adding intangible right-to-use subscription-based information technology arrangements assets for capital assets and subscription liabilities.
 - Revised Long-Term Liabilities note to include subscription-based information technology arrangements liability.
 - Added a note disclosure (Note 11) for the restatement of the beginning capital assets and long term liabilities as a result of GASB 96.

Additional Notes

1. Attached are a sample Corrective Action Plan for Audit Findings (See **Sample A**) and a sample Summary Schedule of Prior Audit Findings (See **Sample B**). These are provided for illustrative purposes only and are not intended to match the findings shown in the sample entity nor are they required to be filed with this Office.
2. AEAs are to submit the Certified Annual Report (CAR) to the Iowa Department of Education (DE) through an upload to the DE website. In order to properly certify the CAR to the DE, the AEA’s CAR must be free of errors as determined by the DE’s edit checks.

The DE does not accept amendments to the CAR. Material errors noted during the audit should be reviewed with the AEA and amended by the AEA through the “upward and downward auditor’s adjustments” to the beginning balance on the subsequent year CAR.

AEAs must certify the fiscal year 2023 CAR to the DE by September 15, 2023. If the AEA does not properly certify the CAR by the deadline, comment 2023-I in the Schedule of Findings and Questioned Costs should be modified as follows:

Certified Annual Report – The Certified Annual Report was not properly certified to the Iowa Department of Education by September 15, 2023.

Recommendation – In the future, the Agency should ensure the Certified Annual Report is certified timely to the Iowa Department of Education.

Response –

Conclusion –

3. Confirmations from the Iowa Department of Education will be available electronically through the web. Also, all correspondence to auditors from the Iowa Department of Education will be done by e-mail. Please send e-mail addresses or updates to kassandra.cline@iowa.gov.
 4. Following is an example footnote for an early retirement or other benefit plan or policy which meets the definition of a “termination benefit” as defined by GASB Statement No. 47.
-

Sample Area Education Agency

Additional Notes (Continued)

Sample Note – Termination Benefits

In September 2022, the Agency approved a voluntary early retirement plan for employees. Eligible employees must have completed at least fifteen years of full-time service to the Agency and must have reached the age of fifty-five on or before June 30, 2023. The application for early retirement is subject to approval by the Board of Directors.

Early retirement benefits are equal to 60% of the employee's regular contractual salary in effect during the employee's last year of employment, with a maximum retirement benefit of \$30,000.

Early retirement benefits will be paid in three equal annual installments beginning July 1, 2023.

At June 30, 2023, the Agency has obligations to eleven participants with a total liability of \$171,285. Actual early retirement expenditures for the year ended June 30, 2023 totaled \$85,642.

5. Categorical funding legislation – Iowa Code section 11.6 requires categorical funding be covered during the annual audit. Specifically:

“The audit of school offices shall include at a minimum a determination that the laws of the state are being followed, that categorical funding is not used to supplant other funding except as otherwise provided, that supplementary weighting is pursuant to an eligible sharing condition, and that postsecondary courses provided in accordance with section 257.11 and chapter 261E supplement, rather than supplant, school district courses.”

As a result, procedures to test categorical funding are included in the AEA Audit Program Guide.

The auditor is required to include a statutory comment on categorical funding in the Schedule of Findings and Questioned Costs, regardless of whether there are any instances of non-compliance or not.

An example to report non-compliance is included in item 8 of the “Additional Notes” section and item 2023-L of the Schedule of Findings and Questioned Costs of the Sample Community School District sample report.

6. The Early Childhood Iowa Initiative is established by Chapter 256I of the Code of Iowa. Chapter 256I.5 of the Code of Iowa requires the Department of Management and the Early Childhood Iowa State Board to establish reporting and other requirements to address the financial activities of Area Boards and audit requirements of fiscal agents for Area Boards.

If an Area Education Agency and Area Board choose to have procedures performed as part of its fiscal agent's audit, the procedures to be performed are included in a separate section of the Sample Entity audit program titled “Early Childhood Iowa Area Board”.

The Sample AEA report illustrates an example of the reporting requirements if the AEA acts as the fiscal agent for an Area Board and the audit procedures are performed as part of the AEA's audit. The required disclosure of the financial data of the Area Board is included in Note 9 to the financial statements.

Sample Area Education Agency

Additional Notes (Continued)

The auditor is also required to include a statutory comment on the Early Childhood Iowa Area Board, regardless of whether there are any instances of non-compliance or not. This statutory comment is included as item 2023-K in the Schedule of Findings and Questioned Costs of the Sample AEA report. The following is an example statutory comment if no instances of non-compliance are noted:

Early Childhood Iowa Area Board – Sample AEA is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the AEA’s financial statements as an Agency Fund because of the AEA’s fiduciary relationship with the organization.

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

The Sample AEA report also includes an internal control deficiency for the Early Childhood Iowa Area Board, which is reported as item 2023-004 in the Schedule of Findings and Questioned Costs.

Sample Area Education Agency

Additional Notes (continued)

Sample A

Sample Area Education Agency

Corrective Action Plan

Year ended June 30, 2023

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
2023-001	Segregation of Duties	We have reviewed procedures and plan to make the necessary changes to improve internal control.	Tom Claim, Administrator, (515) YYY-XXXX	November 2, 2023
2023-002	Financial Reporting	We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.	Joe Smith, Program Director, (515) YYY-XXXX	November 2, 2023
2023-003	Unsupported Expenditures	We will revise our procedures so documentation (e.g., invoices and timecards) is maintained to support federal expenditures. We returned the \$25,589 of questioned costs to the Iowa Economic Development Authority on October 3, 2023.	Tom Claim, Administrator, (515) YYY-XXXX	Documentation to support expenditures will be maintained effective immediately. The questioned costs were returned to the Iowa Economic Development Authority on October 3, 2023.
2023-004	Segregation of Duties over Federal Revenues	We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by the Deputy Treasurer will be separated and spread among the Treasurer, Deputy Treasurer and Clerk.	Julie Ledger, Treasurer, (515) YYY-XXXX	November 2, 2023
2023-005	Financial Reporting	We have implemented an independent review process which requires review by the Program Director, effective immediately. In addition, beginning with the December 2023 quarterly report, we will submit federal financial reports within the required time frame.	Joe Smith, Program Director, (515) YYY-XXXX	Review procedures have been implemented. Timely report filing will begin with the quarter ending December 2023.

In accordance with Uniform Guidance Section 200.511(a), the Corrective Action Plan must include findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards.

Sample Area Education Agency

Additional Notes (continued)

Sample B

Sample Area Education Agency

Summary Schedule of Prior Audit Findings

Year ended June 30, 2023

Comment Reference	Comment Title	Status	If not corrected, provide reason for finding's recurrence and planned corrective action or other explanation
2020-001 2021-001 2022-001	Minority Business Enterprise/ Women Business Enterprise (MBE/WBE)	No longer valid; does not warrant further action.	Over two years have passed since the reporting of this audit finding. The Grantor Agency has not followed up on this finding, nor has a management decision been issued on its part.
2021-002 2022-002	Segregation of Duties over Federal Revenues	Not corrected.	Limited staff resulting from staff turnover. Plan to segregate duties for custody, recordkeeping and reconciling among staff when positions are filled.
2021-003 2022-004	Capital Assets	Corrective action taken.	
2022-003	Financial Reporting	Partially corrected.	Time was necessary to develop and implement review procedures. Timely report filing will begin with the quarter ending December 2023.

In accordance with Uniform Guidance Section 200.511(a), the Summary Schedule of Prior Audit Findings must also include findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

Contact: _____

FOR RELEASE

Auditor of State Rob Sand today released an audit report on Sample Area Education Agency in Anywhere, Iowa.

FINANCIAL HIGHLIGHTS:

The Agency's revenues totaled \$_____ for the year ended June 30, 2023, a(n) ___% increase (decrease). Expenses for the Agency operations for the year ended June 30, 2023 totaled \$_____, a(n) ___% increase (decrease). The significant increase (decrease) in revenues and expenses is due primarily to _____.

AUDIT FINDINGS:

Sand reported four findings related to the receipt and expenditure of taxpayer funds and two findings related to the Early Childhood Iowa Area Board (Early Childhood Board) for which the Agency acts as fiscal agent. They are found on pages 78 through 84 of this report. The findings address issues such as lack of segregation of duties, material amounts of receivables, payables and capital asset additions not recorded in the Agency's financial statements, handwritten checks which were not prenumbered and \$571 of questionable expenditures which may not meet the public purpose requirements. Sand provided the Agency and the Early Childhood Board with recommendations to address each of the findings.

Three of the four findings discussed above which relate to the Agency and two findings related to the Early Childhood Board are repeated from the prior year. The Area Education Agency's Board of Directors and management of the Early Childhood Board have a fiduciary responsibility to provide oversight of the Area Education Agency's and the Early Childhood Board's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

(NOTE to CPAs: Include significant findings, including material weaknesses, significant non-compliance and all Federal findings. Auditor judgement should be used to determine which significant deficiencies reported under Government Auditing Standards, if any, should be included.)

A copy of the audit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

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SAMPLE AREA EDUCATION AGENCY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

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Sample Area Education Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Directors		
Lawrence Riley	President	Dec 2023
Rex Meyer	Vice-President	Dec 2023
Shirley Jones	Member	Dec 2023
Oscar Newton	Member	Dec 2023
Leda Rouse	Member	Dec 2023
Robert Burns	Member	Dec 2025
Gladys Johnson	Member	Dec 2025
Gerald Morgan	Member	Dec 2025
Gordon Smith	Member	Dec 2025

Agency

Richard L. Boss	Administrator	Indefinite
Sharon Shorthand	Board Secretary	Indefinite
Bob Balance	Business Manager and Treasurer	Indefinite



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Independent Auditor's Report

To the Board of Directors of Sample Area Education Agency:

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sample 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 U.S. generally accepted accounting principles.

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 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 Financial Statements section of our report. We are required to be independent of Sample Area Education Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe 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 12 to the financial statements, Sample Area Education Agency adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements. 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 Sample 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 judgement 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 Sample 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sample 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, the Budgetary Comparison Information, the Schedule of the Agency's Proportionate Share of the Net Pension Liability, the Schedule of Agency Contributions and the Schedule of Changes in the Agency's Total OPEB Liability, Related Ratios and Notes on pages 8 through 13 and 50 through 62 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 GAAS, 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 Sample Area Education Agency's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2022 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, 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), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in 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 GAAS. In our opinion, the supplementary information in Schedules 1 through 4 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 October 21, 2023 on our consideration of Sample 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 solely 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 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 Sample Area Education Agency's internal control over financial reporting and compliance.

Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

October 21, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sample 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 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 (SBITAs), during fiscal year 2023. The implementation of this standard revised certain assets and liability accounts related to SBITAs, however, had no effect on the beginning net position for governmental activities.
- General Fund revenues increased from \$15,495,554 in fiscal year 2022 to \$16,265,957 in fiscal year 2023. The increase in General Fund revenues was attributable to an increase in local and federal grant revenue in fiscal year 2023.
- General Fund expenditures increased from \$17,302,985 in fiscal year 2022 to \$18,196,436 in fiscal year 2023. The increase in expenditures was due primarily to an increase in services provided to local school districts.
- The Agency's General Fund balance decreased from \$4,962,836 at the end of fiscal year 2022 to \$2,889,078 at the end of fiscal year 2023, a 41.8% decrease. One reason the General Fund balance decreased is because the services provided to local school districts were greater than the Agency's increase in General Fund revenue for fiscal year 2023. As a result, the Agency funded a portion of the current year General Fund services from the carryover fund balance.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Sample Area Education Agency as a whole and present an overall view of the Agency's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which the Agency acts solely as an agent of custodian for the benefit of those outside of the Agency (Custodial Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, the Agency's proportionate share of the net pension liability and related contributions, as well presenting the Schedule of Changes in the Agency's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

REPORTING THE AGENCY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The Agency has three kinds of funds:

- 1) Governmental funds account for most of the Agency's basic services. These focus on how cash and other financial assets readily converted to cash flow in and out and the balances left at year-end available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. The Agency's governmental funds include 1) the General Fund, 2) the Special Revenue Funds, 3) the Debt Service Fund and 4) the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

- 3) 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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Sample Area Education Agency's net position at the end of fiscal year 2023 totaled approximately \$(3.8) million compared to approximately \$(3.2) million at the end of fiscal year 2022. The analysis that follows focuses on the net position and changes in net position.

	Condensed Statement of Net Position					
	(Expressed in Thousands)					
	Governmental Activities		Business Type Activities		Total	
	June 30,		June 30,		June 30,	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 6,330	7,680	13	15	6,343	7,695
Capital assets	4,941	3,247	-	-	4,941	3,247
Total assets	11,271	10,927	13	15	11,284	10,942
Deferred outflows of resources	2,340	1,721	-	-	2,340	1,721
Long-term obligations	13,133	9,507	-	-	13,133	9,507
Other liabilities	3,204	2,893	2	1	3,206	2,894
Total liabilities	16,337	12,400	2	1	16,339	12,401
Deferred inflows of resources	1,123	3,429	-	-	1,123	3,429
Net position:						
Net investment in						
capital assets	3,636	2,230	-	-	3,636	2,230
Restricted	686	1,129	-	-	686	1,129
Unrestricted	(8,171)	(6,540)	11	14	(8,160)	(6,526)
Total net position	\$ (3,849)	(3,181)	11	14	(3,838)	(3,167)

The Agency's total net position decreased 21.2% or approximately \$671,000, from fiscal year 2022. The decrease occurred primarily in governmental activities as a result of increase in negotiated salaries and benefits during the year ended June 30, 2023.

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

	Changes in Net Position (Expressed in Thousands)					
	Governmental Activities		Business Type Activities		Total	
	Year ended June 30,		Year ended June 30,		Year ended June 30,	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for service	\$ 280	276	254	250	534	526
Operating grants and contributions	7,441	7,389	-	-	7,441	7,389
General revenues:						
Property tax	5,927	5,895	-	-	5,927	5,895
State foundation aid	6,351	6,138	-	-	6,351	6,138
Non-categorical Federal funding	42	41	-	-	42	41
Unrestricted investment earnings	191	222	-	-	191	222
Total revenues	20,232	19,961	254	250	20,486	20,211
Expenditures/Expenses:						
Instruction	7,179	6,794	-	-	7,179	6,794
Student support services	4,621	4,237	-	-	4,621	4,237
Instructional staff support services	5,222	4,935	-	-	5,222	4,935
General administration	2,069	1,928	-	-	2,069	1,928
Business administration	803	661	-	-	803	661
Plant operations and maintenance	345	341	-	-	345	341
Central and other support services	620	601	-	-	620	601
Long-term debt interest	41	46	-	-	41	46
Non-instructional programs	-	-	257	251	257	251
Total expenses	20,900	19,543	257	251	21,157	19,794
Changes in net position	(668)	418	(3)	(1)	(671)	417
Net position beginning of year	(3,181)	(3,599)	14	15	(3,167)	(3,584)
Net position end of year	\$ (3,849)	(3,181)	11	14	(3,838)	(3,167)

Property tax and state foundation aid account for 60.7% of the total revenue while operating grants and contributions from local, state and federal sources account for 36.8% of the total revenue. The Agency's total revenues were approximately \$20.4 million, of which approximately \$20.2 million was for governmental activities and approximately \$254,000 was for business type activities. The Agency's expenditures/expenses primarily relate to instruction and student and instructional staff support services, which account for 81.4% of total expenses.

The Agency as a whole experienced a 1.4% increase in revenues and a 6.9% increase in expenses. State foundation aid revenues increased approximately \$213,000 to fund the increase in expenses. The increase in expenses is primarily related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$20,232,605 and expenses were \$20,900,793. In a difficult budget year, the Agency was able to use some of the carryover balances to pay for the additional services offered to and needed by local school districts.

Business Type Activities

Revenues of the Agency's business type activities were \$253,221, a 1.6% increase over the prior year, while expenses totaled \$256,552, a 2.4% increase over the prior year. The Agency's business type activity is the Cooperative Purchasing program. Revenues for this activity are comprised of charges for service. Expenses are for the purchase of items for resale.

INDIVIDUAL FUND ANALYSIS

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

The Agency's governmental funds reported combined fund balances of \$3,126,422 which were \$2,382,206 below last year's ending fund balances of \$5,508,628. The primary reasons for the decrease in combined fund balances at the end of fiscal year 2023 were the increased expenditures in negotiated salaries and benefits.

Governmental Fund Highlights

- The Agency's decreasing General Fund financial position is the product of many factors, including growth during the year in the number of students served and the services needed by local school districts. The increase in revenues was more than offset by the Agency's increase in General Fund expenditures, requiring the Agency to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$4,962,836 to \$2,889,078 due to additional services provided.
- The Special Revenue, Special Education Instruction Fund expenditures remained consistent when compared to the prior year, while the revenues increased approximately \$30,000 due to increased state aid funding. The ending fund balance increased \$155,748 from the prior year to \$192,363.

Proprietary Fund Highlights

- The Cooperative Purchasing Fund's net position decreased from \$14,223 at June 30, 2022 to \$10,892 at June 30, 2023, representing a decrease of approximately 23.4%. The Agency has not revised its pricing policies in the past three years and has reported a net loss for the second consecutive year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Agency amended its budget once to reflect additional revenues and expenditures associated with the additional services needed and provided to local school districts.

The Agency's total revenues were \$184,210 less than total budgeted revenues, a variance of less than 1%. Total expenditures were \$606,305 less than budgeted, a variance of 2.6%.

A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the Required Supplementary Information section of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the Agency had invested approximately \$4.9 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, intangibles, computers and audio-visual equipment. This is a net increase of approximately \$1.2 million over last year. This increase was primarily due to the continued construction of the new learning center and an increase in library materials, many of which are included in the new learning center.

Sample Area Education Agency had depreciation/amortization expense of \$612,437 in fiscal year 2023. Detailed information about capital assets is presented in Note 3 to the financial statements.

Long-Term Debt

At June 30, 2023, the Agency had \$1,903,986 of long-term debt outstanding, compared to \$2,246,275 at June 30, 2022 after restatement. More detailed information about the Agency's long-term liabilities is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

- The Agency has experienced an increase in the number of students being served by its programs in the past three years. A slight increase in enrollment is expected and included in the budget based on requests from local school districts.
- The Agency has evaluated its pricing policies regarding the cooperative purchasing program. The Board of Directors has approved an increase in the administrative fee charged, so revenues are anticipated to increase in the next fiscal year.

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 Business Manager's Office, 77 Sunset Strip, Anywhere, Iowa, 50000-XXXX.

Sample Area Education Agency

Basic Financial Statements

Sample Area Education Agency

Sample Area Education Agency

Statement of Net Position

June 30, 2023

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 4,837,053	8,586	4,845,639
Receivables:			
Accounts	912,425	-	912,425
Accrued interest	8,937	-	8,937
Due from other governments	359,629	3,564	363,193
Inventories	202,314	958	203,272
Prepaid expenses	9,774	-	9,774
Capital assets not being depreciated	889,257	-	889,257
Capital assets, net of accumulated depreciation/amortization	4,051,502	-	4,051,502
Total assets	11,270,891	13,108	11,283,999
Deferred Outflows of Resources			
Pension related deferred outflows	2,075,726	-	2,075,726
OPEB related deferred outflows	264,872	-	264,872
Total deferred outflows of resources	2,340,598	-	2,340,598
Liabilities			
Accounts payable	2,328,562	2,216	2,330,778
Salaries and benefits payable	746,260	-	746,260
Advances from grantors	128,888	-	128,888
Long-term liabilities:			
Portion due or payable within one year:			
Certificates of participation	60,854	-	60,854
Equipment purchase agreements	45,268	-	45,268
Lease agreements	116,848	-	116,848
IT subscription liability	129,576	-	129,576
Compensated absences	80,653	-	80,653
Total OPEB liability	147,480	-	147,480
Portion due or payable after one year:			
Certificates of participation	610,153	-	610,153
Equipment purchase agreements	183,113	-	183,113
Lease agreements	479,263	-	479,263
IT subscription liability	278,911	-	278,911
Compensated absences	111,122	-	111,122
Net pension liability	9,713,379	-	9,713,379
Total OPEB liability	1,176,880	-	1,176,880
Total liabilities	16,337,210	2,216	16,339,426
Deferred Inflows of Resources			
Pension related deferred inflows	1,123,060	-	1,123,060
Net position			
Net investment in capital assets	3,636,215	-	3,636,215
Restricted for:			
Debt service	2,513	-	2,513
Categorical funding	53,926	-	53,926
Media materials	395,000	-	395,000
Special education instruction	192,363	-	192,363
Capital projects	42,468	-	42,468
Unrestricted	(8,171,266)	10,892	(8,160,374)
Total net position	\$ (3,848,781)	10,892	(3,837,889)

See notes to financial statements.

Sample Area Education Agency

Statement of Activities

Year ended June 30, 2023

	Expenses	Program Revenues	
		Charges for Service	Operating Grants and Contributions
Functions/Programs:			
Governmental activities:			
Regular instruction	\$ 7,179,395	23,985	2,156,118
Student support services	4,620,775	18,123	3,112,005
Instructional staff support services	5,221,690	181,968	2,172,480
General administration	2,068,917	-	-
Business administration	802,943	-	-
Plant operations and maintenance	345,444	-	-
Central and other support services	620,362	56,129	-
Interest on long-term debt	41,267	-	-
Total governmental activities	20,900,793	280,205	7,440,603
Business type activities:			
Non-instructional programs:			
Cooperative purchasing	256,552	253,221	-
Total	\$ 21,157,345	533,426	7,440,603

General revenues:

Property tax levied for general purposes

State foundation aid

Non-categorical federal funding

Unrestricted investment earnings

Total general revenues

Change in net position

Net position (deficit) beginning of year

Net position (deficit) end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business type Activities	Total
(4,999,292)	-	(4,999,292)
(1,490,647)	-	(1,490,647)
(2,867,242)	-	(2,867,242)
(2,068,917)	-	(2,068,917)
(802,943)	-	(802,943)
(345,444)	-	(345,444)
(564,233)	-	(564,233)
(41,267)	-	(41,267)
(13,179,985)	-	(13,179,985)
-	(3,331)	(3,331)
(13,179,985)	(3,331)	(13,183,316)
5,926,841	-	5,926,841
6,351,468	-	6,351,468
42,445	-	42,445
191,043	-	191,043
12,511,797	-	12,511,797
(668,188)	(3,331)	(671,519)
(3,180,593)	14,223	(3,166,370)
\$ (3,848,781)	10,892	(3,837,889)

Exhibit C

Sample Area Education Agency

Balance Sheet
Governmental Funds

June 30, 2023

	General	Special Revenue Special Education Instruction	Nonmajor	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 4,792,072	-	44,981	4,837,053
Receivables:				
Accounts	296,329	616,096	-	912,425
Accrued interest	8,937	-	-	8,937
Due from other governments	310,742	-	48,887	359,629
Inventories	202,314	-	-	202,314
Prepaid expenditures	9,774	-	-	9,774
Total assets	\$ 5,620,168	616,096	93,868	6,330,132
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,914,300	370,982	43,280	2,328,562
Salaries and benefits payable	687,902	52,751	5,607	746,260
Advances from grantors	128,888	-	-	128,888
Total liabilities	<u>2,731,090</u>	<u>423,733</u>	<u>48,887</u>	<u>3,203,710</u>
Fund balances:				
Nonspendable:				
Inventories	202,314	-	-	202,314
Prepaid expenditures	9,774	-	-	9,774
Restricted for:				
Debt service	-	-	2,513	2,513
Categorical funding	53,926	-	-	53,926
Media materials	395,000	-	-	395,000
Special education instruction	-	192,363	-	192,363
Capital projects	-	-	42,468	42,468
Committed for equipment replacement	375,000	-	-	375,000
Unassigned	1,853,064	-	-	1,853,064
Total fund balances	<u>2,889,078</u>	<u>192,363</u>	<u>44,981</u>	<u>3,126,422</u>
Total liabilities and fund balances	\$ 5,620,168	616,096	93,868	6,330,132

See notes to financial statements.

Sample Area Education Agency

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

June 30, 2023

Total governmental fund balances (page 20) \$ 3,126,422

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$8,226,501 and the accumulated depreciation/amortization is \$3,285,742. 4,940,759

Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 2,340,598	
Deferred inflows of resources	<u>(1,123,060)</u>	1,217,538

Long-term liabilities, including certificates of participation, equipment purchase agreement, IT subscription arrangement, leases, compensated absences, total OPEB liability, IT subscription liability and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (13,133,500)

Net position of governmental activities (page 17) \$ (3,848,781)

See notes to financial statements.

Exhibit E

Sample Area Education Agency
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2023

	General	Special Revenue Special Education Instruction	Nonmajor	Total
Revenues:				
Local sources	\$ 5,577,980	3,507,185	10,953	9,096,118
State sources	7,553,767	178,362	270,148	8,002,277
Federal sources	3,134,210	-	-	3,134,210
Total revenues	<u>16,265,957</u>	<u>3,685,547</u>	<u>281,101</u>	<u>20,232,605</u>
Expenditures:				
Current:				
Instruction	3,818,620	3,456,754	266,459	7,541,833
Student support services	4,731,939	-	-	4,731,939
Instructional staff support services	5,459,930	-	-	5,459,930
General administration	2,001,974	73,045	3,689	2,078,708
Business administration	909,988	-	-	909,988
Plant operations and maintenance	363,995	-	-	363,995
Central and other support services	909,990	-	-	909,990
Facilities acquisition and construction	-	-	469,438	469,438
Debt service	-	-	148,990	148,990
Total expenditures	<u>18,196,436</u>	<u>3,529,799</u>	<u>888,576</u>	<u>22,614,811</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,930,479)</u>	<u>155,748</u>	<u>(607,475)</u>	<u>(2,382,206)</u>
Other financing sources (uses):				
Transfers in	-	-	143,279	143,279
Transfers out	(143,279)	-	-	(143,279)
Total other financing sources (uses)	<u>(143,279)</u>	<u>-</u>	<u>143,279</u>	<u>-</u>
Change in fund balances	(2,073,758)	155,748	(464,196)	(2,382,206)
Fund balances beginning of year	4,962,836	36,615	509,177	5,508,628
Fund balances end of year	<u>\$ 2,889,078</u>	<u>192,363</u>	<u>44,981</u>	<u>3,126,422</u>

See notes to financial statements.

Sample Area Education Agency

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances –
Governmental Funds to the Statement of Activities

Year ended June 30, 2023

Change in fund balances - Total governmental funds (page 22) \$ (2,382,206)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the estimated useful lives of the assets. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 1,774,284	
Depreciation/amortization expense	<u>(612,437)</u>	1,161,847

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 342,289

The current year Agency IPERS contributions are reported as expenditures in the governmental funds but are reported as a deferred outflow of resources in the Statement of Net Position. 1,302,170

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	1,599	
Pension expense	(981,490)	
OPEB expense	<u>(115,728)</u>	<u>(1,095,619)</u>

Change in net position of governmental activities (page 19) \$ (671,519)

See notes to financial statements.

Sample Area Education Agency

Statement of Net Position
Proprietary Fund

June 30, 2023

	<u>Enterprise</u>
	Cooperative
	<u>Purchasing</u>
Current Assets	
Cash, cash equivalents and pooled investments	\$ 8,586
Due from other governments	3,564
Inventories	<u>958</u>
Total current assets	13,108
Current Liabilities	
Accounts payable	<u>2,216</u>
Net Position	
Unrestricted	<u>\$ 10,892</u>

See notes to financial statements.

Sample Area Education Agency
Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2023

	<u>Enterprise</u>
	<u>Cooperative</u>
	<u>Purchasing</u>
Operating revenues:	
Charges for service	\$ 253,221
Operating expenses:	
Non-instructional programs:	
Supplies and materials	<u>256,552</u>
Operating loss	(3,331)
Net position beginning of year	<u>14,223</u>
Net position end of year	<u>\$ 10,892</u>

See notes to financial statements.

Exhibit I

Sample Area Education Agency

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2023

	<u>Enterprise</u>
	<u>Cooperative</u>
	<u>Purchasing</u>
Cash flows from operating activities:	
Cash received from customers	\$ 249,657
Cash paid to suppliers	<u>(257,284)</u>
Net cash used by operating activities	(7,627)
Cash and cash equivalents beginning of year	<u>16,213</u>
Cash and cash equivalents end of year	<u>\$ 8,586</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (3,331)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Change in assts and liabilities:	
Inventories	154
Due from other governments	(3,564)
Accounts payable	<u>(886)</u>
Net cash used by operating activities	<u>\$ (7,627)</u>

See notes to financial statements.

Sample Area Education Agency
Statement of Fiduciary Net Position
Custodial Fund

June 30, 2023

Assets

Cash, cash equivalents and pooled investments	\$ 28,689
Due from other governments	<u>4,287</u>

Total assets	<u>32,976</u>
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Net position

Restricted for other governments	<u>\$ 32,976</u>
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See notes to financial statements.

Sample Area Education Agency
Statement of Changes in Fiduciary Net Position
Custodial Fund

June 30, 2023

Additions:	
State sources	\$ 129,608
Interest income	<u>188</u>
Total additions	<u>129,796</u>
Deductions:	
Program services	135,020
Administrative	<u>11,154</u>
Total deductions	<u>146,174</u>
Change in net position	(16,378)
Net position beginning of year	<u>49,354</u>
Net position end of year	<u>\$ 32,976</u>

See notes to financial statements.

Sample Area Education Agency

Sample Area Education Agency

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies

Sample Area Education Agency is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 61 school districts and private schools in a seven-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Sample 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. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide financial statements – The Statement of Net Position and the Statement of Activities report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the Agency's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

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

The Agency reports the following major governmental funds:

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

The Special Revenue, Special Education Instruction 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.

The Agency reports the following major proprietary fund:

The Enterprise, Cooperative Purchasing Fund is used to account for the cooperative purchasing activities for local school districts and activities performed as a service to staff and consist primarily of vending machine operations.

The Agency also reports the following fiduciary fund:

The Custodial Fund is used to account for assets held by the Agency as an agent for individuals, private organizations and other governments.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost (except for intangible right-to-use lease assets and subscription assets, the measurement of which is discussed under “Leases” and “Subscription-Based Information Technology Arrangements” below, respectively) if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the Agency as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Right-to-use leased assets	5,000
Right-to-use subscription assets	X,XXX
Furniture and equipment	2,000
Library books	2,000

Land and building in progress are not depreciated. The other tangible and intangible property, buildings, furniture and equipment, the right-to-use leased assets, library books and infrastructure are depreciated/amortized using the straight-line method of depreciation/amortization over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	50
Improvements other than buildings	20 - 50
Intangibles	5 - 10
Right-to-use leased assets	2 - 20
Right-to-use subscription assets	2 - 20
Furniture and equipment	5 - 15
Library books	5 - 10

Leases – **Agency as Lessee:** Sample Area Education Agency is the lessee for a noncancellable lease of equipment. The Agency has recognized a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Agency recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the agency initially measures the lease liability at the present value of payment expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payment 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 direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how Sample Area Education Agency determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

Sample Area Education 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 a 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) – Sample Area Education Agency has entered into a contract that conveys 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. The Agency recognized IT subscription liabilities with an initial, individual value of \$XX,XXX, or more.

At the commencement of the subscription term, the Agency initially measures the IT subscription liability at the present value of payment expected to be made during the subscription term. Subsequently, the IT subscription liability is reduced by the principal portion of IT subscription payments made. The right-to-use an IT subscription asset is initially measured as sum of the initial IT subscription liability, adjusted for subscription payments made at or before the subscription 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 subscription arrangements include how Sample Area Education Agency determines the discount rate it uses to discount the expected IT subscription payments to present value, subscription term and subscription payments.

Sample Area Education Agency uses the interest rate charged by the 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. IT subscription payments included in the measurement of the subscription 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 IT subscription 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.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which 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 and OPEB expense and contributions from the Agency after the measurement date but before the end of the Agency’s reporting period.

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

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

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

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources, 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. The net pension liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

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 Sample Area Education 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 and Special Revenue Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 in the fund financial statements 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

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 yearend. 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.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash, Cash Equivalents and Pooled Investments

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 ensure there will be no loss of public funds.

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

At June 30, 2023, the Agency had the following investments:

Investment	Fair Value	Maturity
U.S. Treasury Notes	<u>\$ 3,970,150</u>	October 2022

The Agency uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the U.S. Treasury Notes of \$3,970,150 was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

At June 30, 2023, the Agency had investments in the Iowa Schools Joint Investment Trust (ISJIT) Government Obligation Portfolio which are valued at an amortized cost of \$327,441. There were no limitations or restrictions on withdrawals for the ISJIT investments. The investments in the ISJIT were rated AAAM by Standard & Poor's Financial Services.

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

(3) Capital Assets

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

	Restated, Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 321,250	-	-	321,250
Building in progress	98,569	469,438	-	568,007
Total capital assets not being depreciated/amortized	419,819	469,438	-	889,257
Capital assets being depreciated/amortized:				
Buildings	1,508,844	-	-	1,508,844
Improvements other than buildings	502,658	-	-	502,658
Right-to-use leased building	707,272	-	-	707,272
Right-to-used IT subscription asset	531,892	-	-	531,892
Furniture and equipment	1,196,084	408,110	168,202	1,435,992
Intangibles	60,000	-	-	60,000
Library books	2,290,181	896,736	596,331	2,590,586
Total capital assets being depreciated/amortized	6,796,931	1,304,846	764,533	7,337,244
Less accumulated depreciation/amortization for:				
Buildings	844,953	30,177	-	875,130
Improvements other than buildings	172,344	14,362	-	186,706
Right-to-use leased building	-	117,879	-	117,879
Right-to-use IT subscription asset	-	132,973	-	132,973
Furniture and equipment	951,678	145,690	168,202	929,166
Intangibles	6,000	6,000	-	12,000
Library books	1,462,863	165,356	596,331	1,031,888
Total accumulated depreciation/amortization	3,437,838	612,437	764,533	3,285,742
Total capital assets being depreciated/amortized, net	3,359,093	692,409	-	4,051,502
Governmental activities capital assets, net	<u>\$ 3,778,912</u>	<u>1,161,847</u>	<u>-</u>	<u>4,940,759</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:		
Instruction		\$ 278,045
Student support services		18,364
Instructional staff support services		85,511
General administration		4,038
Business administration		55,308
Plant operations and maintenance		8,437
Central and other support services		<u>162,734</u>
Total depreciation/amortization expense – governmental activities		<u>\$ 612,437</u>

Furniture and equipment within governmental activities includes \$375,000 of information technology equipment acquired under an equipment purchase agreement. Accumulated depreciation on these assets totaled \$40,625 at June 30, 2023.

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 23,655	-	-	23,655
Less accumulated depreciation	<u>23,655</u>	<u>-</u>	<u>-</u>	<u>23,655</u>
Business type activities capital assets, net	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

(4) Long-Term Liabilities

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

	Restated, Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Certificates of participation - direct borrowing	\$ 750,000	-	78,993	671,007	60,854
Equipment purchase agreement - direct borrowing	257,111	-	28,730	228,381	45,268
Lease agreements	707,272	-	111,161	596,111	116,848
IT Subscription arrangement	531,892	-	123,405	408,487	129,576
Compensated absences	193,374	79,626	81,225	191,775	80,653
Net pension liability	7,377,034	2,336,345	-	9,713,379	-
Total OPEB liability	<u>943,760</u>	<u>443,473</u>	<u>62,873</u>	<u>1,324,360</u>	<u>147,480</u>
Total	<u>\$ 10,760,443</u>	<u>2,859,444</u>	<u>486,387</u>	<u>13,133,500</u>	<u>580,679</u>

Certificates of Participation – Direct Borrowing

The Agency sold certificates of participation for land and facilities for a total of \$750,000. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over a period of twelve years with an interest rate of 5% per annum. During the year ended June 30, 2023, the Agency paid principal of \$78,993 and interest of \$60,854 on the certificates. The following is a schedule by year of the future minimum payments required:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 60,854	33,550	94,404
2025	63,896	30,508	94,404
2026	67,091	27,313	94,404
2027	70,446	23,958	94,404
2028	73,968	20,436	94,404
2029-2033	334,752	42,864	377,616
Total	\$ 671,007	178,629	849,636

Equipment Purchase Agreement – Direct Borrowing

On May 25, 2022, the Agency entered into an equipment purchase agreement for information technology equipment with a total cost of \$375,000. The agreement bears interest at 5% per annum and is payable in annual installments over 5 years, with a final payment of \$45,927 due by May 25, 2028. During the year ended June 30, 2023, the Agency paid principal of \$28,730 and interest of \$45,268 on the purchase agreement. The following is a schedule by year of payments required:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 45,268	9,318	54,586
2025	46,159	8,427	54,586
2026	47,012	7,574	54,586
2027	47,664	6,922	54,586
2028	42,278	3,649	45,927
Total	\$ 228,381	35,890	264,271

Lease Agreements

The Agency has leased four buildings within the area to house the different divisions of the Agency. The leases expire between June 30, 2024 and June 30, 2028. The agreements require monthly payments of \$2,500 to \$3,000 with an implicit interest rate of 5.00%. During the year ended June 30, 2023, principal and interest paid were \$111,161 and \$32,839, respectively.

Future principal and interest lease agreement payments as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 116,848	27,152	144,000
2025	117,915	21,285	139,200
2026	123,947	15,253	139,200
2027	120,589	9,131	129,720
2028	116,812	3,188	120,000
Total	\$ 596,111	76,009	672,120

IT Subscription Arrangement

On July 1, 2021 the Agency entered into an IT subscription license and services information technology agreement with ABC Computer Company for educational software with an initial IT subscription arrangement liability of \$531,892 at July 1, 2022. The agreement requires annual payments of \$150,000 over five years with an interest rate of 5.00% and final payment due July 1, 2025. During the year ended June 30, 2023, principal and interest paid were \$123,405 and \$26,595, respectively.

Future principal and interest payments as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 129,576	20,424	150,000
2025	136,054	13,946	150,000
2026	142,857	7,143	150,000
Total	\$ 408,487	41,513	450,000

(5) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer-defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report that is available to the public by mail at PO 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% for each month the member receives benefits before the member’s earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 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. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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.

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

The Agency’s contribution to IPERS for the year ended June 30, 2023 totaled \$1,302,170.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the Agency reported a liability of \$9,713,379 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the Agency’s proportion was 0.212615%, which was an increase of 0.003941% over its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Agency recognized pension expense of \$866,998. 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	\$ 155,763	-
Changes of assumptions	283,846	-
Net difference between projected and actual earnings on IPERS' investments	-	858,020
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	333,947	265,040
Agency contributions subsequent to the measurement date	1,302,170	-
Total	<u>\$ 2,075,726</u>	<u>1,123,060</u>

\$1,302,170 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending 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 Ending June 30,	Amount
2024	\$ (288,957)
2025	(288,957)
2026	(288,957)
2027	491,745
2028	25,622
Total	<u>\$ (349,504)</u>

There were no non-employer contributing entities to IPERS.

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

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% 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 mortality improvements modeled using Scale MP-2021.

The long-term expected rate of return on IPERS’ 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 geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS’ fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS’ 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 7.00%, as well as what the Agency’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Agency's proportionate share of the net pension liability	\$ 18,050,062	9,713,379	3,775,892

IPERS Fiduciary Net Position – Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to IPERS – At June 30, 2023, the Agency reported payables to IPERS of \$102,250 for legally required Agency contributions and \$68,129 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(6) Other Postemployment Benefits (OPEB)

Plan Description – The Agency administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Sample Area Education Agency and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	12
Active employees	<u>200</u>
Total	<u>212</u>

Total OPEB Liability – The Agency’s total OPEB liability of \$1,324,360 was measured as of June 30, 2023 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2023)	2.60% per annum.
Rates of salary increase (effective June 30, 2023)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2023)	4.09% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2023)	7.50% initial rate decreasing by .5% annually to an ultimate rate of 4.50%.

Discount Rate – The discount rate used to measure the total OPEB liability was 4.09% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA Public Plan 2010 tables. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 943,760
Changes for the year:	
Service cost	54,552
Interest	41,944
Differences between expected and actual experiences	337,631
Changes in assumptions	9,346
Benefit payments	<u>(62,873)</u>
Net changes	<u>380,600</u>
Total OPEB liability end of year	<u>\$ 1,324,360</u>

Changes of assumptions reflect a change in the discount rate from 2.19% in fiscal year 2022 to 4.09% in fiscal year 2023.

Sensitivity of the Agency’s 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% lower (3.09%) or 1% higher (5.09%) than the current discount rate.

	1% Decrease (3.09%)	Discount Rate (4.09%)	1% Increase (5.09%)
Total OPEB liability	\$ 1,417,065	1,324,360	1,231,655

Sensitivity of the Agency’s 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% lower (6.50%) or 1% higher (8.50%) than the current healthcare cost trend rates.

	1% Decrease (6.50%)	Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
Total OPEB liability	\$ 1,165,437	1,324,360	1,483,283

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2023, the Agency recognized OPEB expense of \$154,325. At June 30, 2023, the Agency reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 257,085
Changes in assumptions	7,787
Total	<u>\$ 264,872</u>

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2024	\$ 44,145
2025	44,145
2026	44,145
2027	44,145
2028	44,145
Thereafter	44,147
	<u>\$ 264,872</u>

(7) Risk Management

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

(8) Deferred Compensation Plan

The Agency offers a deferred compensation plan to its employees in accordance with Internal Revenue Code Section 457. The 457 Plan, available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights must be held in trust of the exclusive benefit of plan participants and beneficiaries. These funds are invested and held by the ABC Retirement Corporation and do not constitute a liability of the Agency.

(9) Deficit Balance

The Agency had a governmental activities deficit net position balance of \$3,848,781 at June 30, 2023, primarily due to the net pension liability.

(10) Early Childhood Iowa Area Board

The Agency is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the Agency's financial statements as a Custodial Fund because of the Agency's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2023 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 22,637	-	22,637
Quality improvement	-	15,898	15,898
Allocation for administration	2,770	4,934	7,704
School ready general use	-	83,369	83,369
Total state grants	25,407	104,201	129,608
Interest on investments	18	170	188
Total revenues	25,425	104,371	129,796
Expenditures:			
Program services:			
Early childhood	25,660	-	25,660
Quality improvement	-	17,044	17,044
School ready general use	-	92,316	92,316
Total program services	25,660	109,360	135,020
Administration	2,567	8,587	11,154
Total expenditures	28,227	117,947	146,174
Change in fund balance	(2,802)	(13,576)	(16,378)
Net position beginning of year	4,964	44,390	49,354
Net position end of year	\$ 2,162	30,814	32,976

Findings related to the operations of the Early Childhood Iowa Area Board are included as items 2023-004 and 2023-K in the Schedule of Findings and Questioned Costs.

(11) Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2023.

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 10,780
Professional development	24,560
Children's mental training	<u>18,586</u>
Total	<u>\$ 53,926</u>

(12) Accounting Change

Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), 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 result of these changes had no effect on the beginning net position.

	<u>Capital Assets</u>	<u>Long-term Liabilities IT Subscription Agreements</u>
Balances June 30, 2022, as previously reported	\$ 3,247,020	10,228,551
Change to implement GASBS No. 96	<u>531,892</u>	<u>531,892</u>
Balances July 1, 2022, as restated	<u>\$ 3,778,912</u>	<u>10,760,443</u>

Required Supplementary Information

Sample Area Education Agency

Schedule of Revenues, Expenditures/Expenses and Changes
in Balances – Budget and Actual –
All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2023

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 9,096,118	253,221	9,349,339
State sources	8,002,277	-	8,002,277
Federal sources	3,134,210	-	3,134,210
Total revenues	20,232,605	253,221	20,485,826
Expenditures/Expenses:			
Current:			
Instruction	7,541,833	-	7,541,833
Student support services	4,731,939	-	4,731,939
Instructional staff support services	5,459,930	-	5,459,930
General administration	2,078,708	-	2,078,708
Business administration	909,988	-	909,988
Plant operations and maintenance	363,995	-	363,995
Central and other support services	909,990	-	909,990
Non instructional programs	-	256,552	256,552
Facilities acquisition and construction	469,438	-	469,438
Debt service	148,990	-	148,990
Total expenditures/expenses	22,614,811	256,552	22,871,363
Change in balances	(2,382,206)	(3,331)	(2,385,537)
Balance beginning of year	5,508,628	14,223	5,522,851
Balance end of year	\$ 3,126,422	10,892	3,137,314

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance
Original	Final	
9,000,200	9,125,200	224,139
8,344,336	8,344,336	(342,059)
3,200,500	3,200,500	(66,290)
20,545,036	20,670,036	(184,210)
7,503,715	7,628,715	86,882
4,937,400	4,937,400	205,461
5,511,000	5,511,000	51,070
2,212,700	2,212,700	133,992
960,100	960,100	50,112
375,000	375,000	11,005
928,500	928,500	18,510
278,594	278,594	22,042
500,000	500,000	30,562
148,990	148,990	-
23,355,999	23,480,999	609,636
(2,810,963)	(2,810,963)	425,426
5,125,469	5,125,469	397,382
2,314,506	2,314,506	822,808

Sample Area Education Agency

Sample Area Education Agency

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2023

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

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

For the year ended June 30, 2023, the Agency's expenditures/expenses did not exceed the approved budget.

Sample Area Education Agency

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

Iowa Public Employees' Retirement System
For the Last Nine Years*
(In Thousands)

Required Supplementary Information

	2023	2022	2021	2020
Agency's proportion of the net pension liability	0.212615%	0.208674%	0.199756%	0.181122%
Agency's proportionate share of the net pension liability	\$ 10,309	9,846	8,084	7,183
Agency's covered payroll	\$ 13,792	13,347	12,998	12,617
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	74.75%	73.77%	62.19%	56.93%
IPERS' net position as a percentage of the total pension liability	91.40%	100.81%	82.90%	85.45%

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

See accompanying independent auditor's report.

2019	2018	2017	2016	2015
0.178426%	0.177358%	0.198467%	0.187356%	0.170494%
6,830	6,804	6,670	6,537	5,949
12,945	12,206	11,030	9,227	8,567
52.76%	55.74%	60.47%	70.84%	69.44%
83.62%	82.21%	81.82%	85.19%	87.61%

Sample Area Education Agency

Schedule of Agency Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	2023	2022	2021	2020
Statutorily required contribution	\$ 1,341	1,302	1,260	1,227
Contributions in relation to the statutorily required contribution	(1,341)	(1,302)	(1,260)	(1,227)
Contribution deficiency (excess)	\$ -	-	-	-
Agency's covered payroll	\$ 14,206	13,792	13,347	12,998
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
1,191	1,156	1,090	985	824	765
(1,191)	(1,156)	(1,090)	(985)	(824)	(765)
-	-	-	-	-	-
12,617	12,945	12,206	11,030	9,227	8,567
9.44%	8.93%	8.93%	8.93%	8.93%	8.93%

Sample Area Education Agency

Sample Area Education Agency

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2023

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.
- Adjust 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%.

The 2014 valuation implemented the following refinements as a result of a 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.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Sample Area Education Agency
 Schedule of Changes in the Agency's
 Total OPEB Liability, Related Ratios and Notes

For the Last Six Years

Required Supplementary Information

	2023	2022	2021	2020
Service cost	\$ 54,552	42,557	40,365	48,876
Interest cost	41,944	34,944	32,429	40,059
Difference between expected and actual experiences	337,631	124,545	99,870	16,179
Changes in assumptions	9,346	7,253	2,438	5,452
Benefit payments	(62,873)	(64,633)	(37,124)	(51,237)
Net change in total OPEB liability	380,600	144,666	137,978	59,329
Total OPEB liability beginning of year	943,760	799,094	661,116	601,787
Total OPEB liability end of year	<u>\$ 1,324,360</u>	<u>943,760</u>	<u>799,094</u>	<u>661,116</u>
Covered-employee payroll	\$ 13,740,763	13,684,798	13,425,680	13,425,681
Total OPEB liability as a percentage of covered-employee payroll	9.6%	6.9%	6.0%	4.9%

See accompanying independent auditor's report.

2019	2018
32,546	40,012
16,549	22,259
12,358	16,088
1,365	3,369
(61,949)	(44,422)
869	37,306
600,918	563,612
601,787	600,918
13,420,560	13,426,779
4.5%	4.5%

Sample Area Education Agency

Notes to Required Supplementary Information – OPEB Liability and Related Ratios

For the Last Six Years

Notes to Schedule of Changes in the Agency’s Total OPEB Liability and Related Ratios

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

The 2023 valuation implemented the following refinements as a result of a new actuarial opinion dated June 30, 2023:

- Changed mortality assumptions to the SOA Public Plan 2010 tables.

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2023	4.09%
Year ended June 30, 2022	2.19%
Year ended June 30, 2021	2.66%
Year ended June 30, 2020	3.51%
Year ended June 30, 2019	3.58%
Year ended June 30, 2018	4.50%
Year ended June 30, 2017	4.25%

Supplementary Information

Schedule 1

Sample Area Education Agency

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2023

	Special Revenue			
	Juvenile Home	Debt Service	Capital Projects	Total
Assets				
Cash, cash equivalents and pooled investments	\$ -	2,513	42,468	44,981
Due from other governments	48,887	-	-	48,887
Total assets	\$ 48,887	2,513	42,468	93,868
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 43,280	-	-	43,280
Salaries and benefits payable	5,607	-	-	5,607
Total liabilities	48,887	-	-	48,887
Fund balances:				
Restricted for:				
Debt service	-	2,513	-	2,513
Capital projects	-	-	42,468	42,468
Total fund balances	-	2,513	42,468	44,981
Total liabilities and fund balances	\$ 48,887	2,513	42,468	93,868

See accompanying independent auditor's report.

Sample Area Education Agency

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

Year ended June 30, 2023

	Special Revenue			Total
	Juvenile Home	Debt Service	Capital Projects	
Revenues:				
Local sources	\$ -	6,329	4,624	10,953
State sources	270,148	-	-	270,148
Total revenues	270,148	6,329	4,624	281,101
Expenditures:				
Current:				
Instruction	266,459	-	-	266,459
General administration	3,689	-	-	3,689
Facilities acquisition and construction	-	-	469,438	469,438
Debt service	-	148,990	-	148,990
Total expenditures	270,148	148,990	469,438	888,576
Deficiency of revenues under expenditures	-	(142,661)	(464,814)	(607,475)
Other financing sources:				
Transfers in	-	143,279	-	143,279
Change in fund balance	-	618	(464,814)	(464,196)
Fund balances beginning of year	-	1,895	507,282	509,177
Fund balances end of year	\$ -	2,513	42,468	44,981

See accompanying independent auditor's report.

Sample Area Education Agency

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Funds

For the Last Ten Years

	2023	2022	2021	2020
Revenues:				
Local	\$ 9,096,118	8,487,263	7,664,982	7,541,561
State	8,002,277	8,381,599	7,898,637	7,628,597
Federal	3,134,210	2,506,723	2,257,936	2,207,468
Total	\$ 20,232,605	19,375,585	17,821,555	17,377,626
Expenditures:				
Current:				
Instruction	\$ 7,545,164	7,371,921	7,260,807	7,107,821
Student support services	4,731,939	4,523,659	4,455,659	4,212,659
Instructional staff support services	5,459,930	5,322,545	5,122,145	5,009,887
General administration	2,078,708	2,009,554	2,000,987	1,999,872
Business administration	909,988	900,872	895,662	890,554
Plant operations and maintenance	363,995	360,954	357,854	355,458
Central and other support services	909,990	900,874	895,664	890,556
Facilities acquisition and construction	469,438	98,569	-	-
Debt service	148,990	45,698	-	-
Total	\$ 22,618,142	21,534,646	20,988,778	20,466,807

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
7,466,145	7,391,484	7,317,569	7,244,393	7,171,949	7,100,230
7,552,311	7,476,788	7,402,020	7,328,000	7,254,720	7,182,173
2,185,393	2,163,539	2,141,904	2,120,485	2,099,280	2,078,287
17,203,849	17,031,811	16,861,493	16,692,878	16,525,949	16,360,690
7,036,743	6,966,376	6,896,712	6,827,745	6,759,468	6,691,873
4,170,532	4,128,827	4,087,539	4,046,664	4,006,197	3,966,135
4,959,788	4,910,190	4,861,088	4,812,477	4,764,352	4,716,708
1,979,873	1,960,074	1,940,473	1,921,068	1,901,857	1,882,838
881,648	872,832	864,104	855,463	846,908	838,439
351,903	348,384	344,900	341,451	338,036	334,656
881,650	872,834	864,106	855,465	846,910	838,441
-	-	-	-	-	-
-	-	-	-	-	-
20,262,137	20,059,517	19,858,922	19,660,333	19,463,728	19,269,090

Sample Area Education Agency

Sample Area Education Agency
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2023

Project Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Education:			
Passed through Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	321424	\$ 49,009
Special Education-Grants for Infants and Families	84.181	C1920-15	2,686
Special Education-Grants for Infants and Families	84.181	C1921-15	56,256
			<u>58,942</u>
English Language Acquisition State Grants	84.365	320355	<u>46,800</u>
Special Education Cluster (IDEA):			
Special Education Grants to States	84.027	2021-15	2,478,578
Special Education Preschool Grants	84.173	19621-15	342,010
			<u>2,820,588</u>
U.S. Department of Health and Human Services:			
Passed through Iowa Department of Public Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	5880SA12	158,871
Total			<u>\$ 3,134,210</u>

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Sample Area Education 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 Sample Area Education Agency, it is not intended to and does not present the financial position, changes in financial position or cash flows of Sample Area Education Agency.

Summary of Significant Accounting Policies – Expenditures reported in 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.

Indirect Cost Rate – Sample Area Education Agency uses a federally negotiated indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

Sample Area Education Agency



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
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**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Directors of Sample Area Education Agency:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sample Area Education Agency, Iowa, as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sample 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 Sample Area Education Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Sample 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 Agency'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. **(Use for Note 1, Note 2, Note 3)**

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Part II of the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. **(Note 4 only)**

(Use this paragraph rather than preceding paragraph for Note 1) 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 or significant deficiencies may exist that were not identified.

(Use this paragraph rather than preceding two paragraphs for Note 2, Note 3) Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. (add bold for Note 2 only)** We identified certain deficiencies in internal control, described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2023-XXX and 2023-XXX that we consider to be significant deficiencies. **(delete “significant deficiencies” add “material weaknesses.” for Note 3)**

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 Agency’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002 to be material weaknesses. **(Use this for Note 4 only)**

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. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2023-003 and 2023-004 to be significant deficiencies. **(Use this for Note 4 only)**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sample 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 which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Sample Area Education Agency’s Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Sample Area Education Agency’s responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Sample Area Education Agency’s responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

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

Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

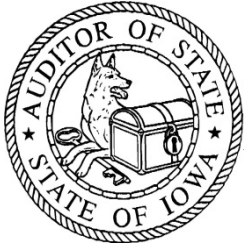
October 21, 2023

Note 1: No material weaknesses and no significant deficiencies.

Note 2: No material weaknesses but significant deficiencies exist.

Note 3: Material weaknesses exist but no significant deficiencies.

Note 4: Both material weaknesses and significant deficiencies exist.



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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 of Sample Area Education Agency:

Report on Compliance for Each Major Federal Program

Opinion on each Major Federal Program

We have audited Sample Area Education Agency, Iowa's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on Sample Area Education Agency's major federal program for the year ended June 30, 2023. Sample Area Education Agency's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Sample Area Education Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program 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, 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 Sample Area Education 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 Sample Area Education 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 Sample Area Education 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 Sample Area Education 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 judgement made by a reasonable user of the report on compliance about Sample Area Education 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 judgement 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 Sample Area Education Agency's compliance with the compliance requirements referred to above and performing other such procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sample Area Education 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 Sample Area Education 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 we identified during the audit.

Other Matters (Use next 2 paragraphs if noncompliance exists) The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-00X. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Sample Area Education Agency's responses to the noncompliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Sample Community School District's response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Omit the preceding paragraphs in the "Other Matters" if no instances of noncompliance exist.

Report on Internal Control Over Compliance

(Use this paragraph for Note 1 only) 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.

(Replace preceding paragraph with this paragraph for Note 2) 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 and therefore, material weaknesses or significant deficiencies may exist that was not identified. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. (delete bold words if Note 3 or Note 4) However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies. (Note 3 and Note 4– replace bolded words with “However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.”) (Note 4 add italics words)**

(Note 2, Note 3 and Note 4 add this paragraph) 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. (Note 4 - delete bold words)** We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-005, to be a material weakness **(Note 4 and Note 3 replace bolded words with “significant deficiencies”).**

(Note 4 add paragraph) 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-006 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Sample Area Education Agency's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Sample Area Education Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. **(omit paragraph for Note 1)**

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.

Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

October 21, 2023

Note 1: No material weaknesses and no significant deficiencies exist.

Note 2: No material weaknesses but significant deficiencies exist.

Note 3: Material weakness but no significant deficiencies exist.

Note 4: Material weaknesses and significant deficiencies exist.

Sample Area Education Agency
Schedule of Findings and Questioned Costs
Year ended June 30, 2023

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency and a material weakness in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was the Special Education Cluster (IDEA).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Sample Area Education Agency did not qualify as a low-risk auditee.

Sample Area Education Agency

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2023-001 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Agency’s financial statements.

Condition – Generally, one individual in the Agency has control over cash receipts listings, bank deposits and posting cash receipts to the cash receipts journal.

Cause – The Agency has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Agency’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Agency should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff to provide additional control through review of financial transactions, reconciliations and reports. These independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response and Corrective Action Planned – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the cash receipts listing, depositing and posting duties will be separated and spread among several employees. We plan to implement these changes November 2, 2023.

Conclusion – Response accepted.

2023-002 Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Agency’s financial statements.

Sample Area Education Agency

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Condition – Material amounts of receivables, payables and capital asset additions were not recorded in the Agency’s financial statements. Adjustments were subsequently made by the Agency to properly report these amounts in the Agency’s financial statements.

Cause – Agency policies do not require, and procedures have not been established to require independent review of year end cut-off transactions to ensure the Agency’s financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in Agency employees not detecting the errors in the normal course of performing their assigned functions and material adjustments to the Agency’s financial statements were necessary.

Recommendation – The Agency should implement procedures to ensure all receivables, payables and capital asset additions are identified and properly reported in the Agency’s financial statements.

Response – We will develop a policy to have an independent person double check these in the future to avoid missing receivables, payables or capital asset transactions.

Conclusion – Response accepted.

2023-003 Prenumbered Checks

Criteria – Properly designed policies and procedures for expenditures include steps to detect or prevent payments to unauthorized payees and unauthorized amounts. The use of handwritten checks can circumvent established procedures.

Condition – General Fund handwritten checks were numbered as they were written, checks were not written in the proper sequence and the numerical sequence of checks written is not accounted for.

Cause – Agency policies do not require, and procedures have not been established to require checks to be prenumbered by a printer or by an independent individual.

Effect – Lack of policies and procedures may result in duplicate check numbers being issued. Handwritten checks may also result in payments to unauthorized payees and unauthorized amounts.

Recommendation – The Agency should issue prenumbered checks by a printer or by an independent individual. Additionally, checks should be issued in the proper sequence. The numerical sequence of checks written should be accounted for by someone independent of writing checks and recording disbursements.

Response and Corrective Action Planned – Prenumbered checks will be ordered from the printer beginning in October 2023 and the numerical sequence of checks issued will be accounted for by an independent person.

Conclusion – Response accepted.

Sample Area Education Agency

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-004 Early Childhood Iowa Area Board – Supporting Documentation and Approval

Criteria – An effective internal control system provides for internal controls related to ensuring disbursements are properly and adequately supported and reviewed. The Area Board contracted with 7 providers. The provider contracts require detailed monthly invoices be submitted to the Coordinator prior to payment. The Coordinator is to verify the accuracy and adequacy of the documentation and approve the disbursements.

Condition – For five of 10 provider claims tested, adequate supporting documentation was not available or did not agree with the amount paid. For two of 10 provider claims tested, the claims did not include evidence of approval by the Coordinator.

Cause – Although Agency policies have been adopted to require adequate documentation and approval, those requirements have not been communicated to providers or the Coordinator. Additionally, the lack of Agency oversight resulted in lack of approval documentation.

Effect – Lack of communicating requirements to providers and oversight by the Agency may result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – All contract payments should be supported by detailed invoices or other supporting documentation as required by the provider contracts. The invoices and supporting documentation should be reviewed and approved by the Coordinator and be made available to the Area Board for timely review.

Response – We will obtain the documentation required by the provider contracts and the documentation will be reviewed by the Coordinator and the Area Board. We will comply with these recommendations for all future contract payments.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Sample Area Education Agency

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

**Assistance Listing Number 84.027: Special Education Grants to States
Assistance Listing Number 84.173: Special Education Preschool Grants
Pass-Through Entity Identifying Number: 2023-15, 19621-15
Federal Award Year: 2023
Prior Year Finding Number: 2022-005, 2022-006
U.S. Department of Education**

Passed through the Iowa Department of Education

- 2023-005 Segregation of Duties – The Agency did not properly segregate the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal, including those related to federal programs. See item 2023-001.
- 2023-006 Prenumbered Checks – The Agency issued handwritten checks which were numbered as they were written, including those related to federal programs. See item 2023-003.

Sample Area Education Agency

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Part IV: Other Findings Related to Required Statutory Reporting:

2023-A Certified Budget – Expenditures during the year ended June 30, 2023 did not exceed the amounts budgeted.

2023-B Questionable Expenditures – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain expenditures were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Anywhere Flower Shop	Flower arrangements for gifts	\$ 332
Anywhere Quick Shop	Pop and food for Agency employees	239

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Board of Directors should determine and document the public purpose served by these types of expenditures prior to authorizing any further payments. If this practice is continued, the Agency should establish written policies and procedures, including requirements for proper public purpose documentation.

Response – We will document this in the future.

Conclusion – Response accepted.

2023-C Travel Expense – No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

2023-D Business Transactions – No business transactions between the Agency and Agency officials or employees were noted.

2023-E 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.

2023-F Bond Coverage – Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

2023-G Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Sample Area Education Agency

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

- 2023-H Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency’s investment policy were noted.
- 2023-I Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- 2023-J Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- 2023-K Early Childhood Iowa Area Board – The Agency is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the Agency’s financial statements as an Agency Fund because of the Agency’s fiduciary relationship with the organization.

Certain expenditures of \$536 for food and refreshments for meetings which may not meet the purpose for which the grant funds were provided were noted.

Recommendation – The Area Board should determine and document how these expenditures meet the intended purpose of the state grants before authorizing any further payments.

Response – We will discontinue the practice of providing meals for the monthly Board meetings.

Conclusion – Response accepted.

Sample Area Education Agency

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
John Q. Review, CPA, Manager
Margo Setter, CPA, Senior Auditor
Jerome Warning, CPA, Senior Auditor
Terry Tickmark, CPA, Assistant Auditor