Heartland Area Education Agency 11

Financial Report
Year Ended June 30, 2015

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Heartland Area Education Agency 11

Officials
Year Ended June 30, 2015

	Title	Term/Contract Expires
Board of Directors:		
Margaret Borgen	President	2015
Steve Rose	Vice President	2015
Sheri Benson	Board Member	2015
Jane Bell	Board Member	2015
Cal Halliburton	Board Member	2015
Ann Wilson	Board Member	2017
Bruce Christensen	Board Member	2017
Pete Evans	Board Member	2017
Earl Bridgewater	Board Member	2017
Agency:		
Paula Vincent	Chief Administrator	
Jenny Ugolini	Board Secretary	
Kurt Subra	Chief Financial Officer and Treasurer	

Heartland Area Education Agency 11

Areas Served
Year Ended June 30, 2015

Audubon County:
Audubon School District
Exira-Elk Horn-Kimballton School District

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

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

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

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

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

Madison County:
Earlham School District
Interstate 35 School District
Winterset School District

Marion County:
Knoxville School District
Melcher-Dallas School District
Pella School District

Marion County (continued):
Pella Christian Grade School
Pella Christian High School
Peoria Christian School
Pleasantville School District
Twin Cedars School District

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

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

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

Bohnsack & Frommelt LLP
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Heartland Area Education Agency 11
Johnston, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Heartland Area Education Agency 11, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Heartland Area Education Agency 11, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the basic financial statements, the Agency implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68.* As a result, the Agency's net position for governmental activities has been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of proportionate share of the net pension liability, and schedule of contributions on pages 4–9 and 35-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Agency's basic financial statements for the years ended June 30, 2013 through 2012, which are not presented herein, were audited by other auditors whose report thereon dated January 14, 2014, expressed unmodified opinions on the basic financial statements. Their report on the Schedule of Revenues by Source and Expenditures by Function for the years ended June 30, 2013 through 2012 stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements as a whole for the years ended June 30, 2013 through 2012 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2015 on our consideration of the Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Agency's internal control over financial reporting and compliance.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
November 3, 2015

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MANAGEMENT’S DISCUSSION AND ANALYSIS

Area Education Agency 11 provides this Management’s Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the Agency’s financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund Revenues were $86,869,534 and General Fund Expenditures were $85,369,673 in FY2015. General Fund Other Financing Sources and Uses for FY2015 were a net source of $2,614. Revenues and Other Sources less Expenditures resulted in a net operating gain of $1,502,475. The Agency’s General Fund total fund balance increased from $9,360,048 in FY2014 to $10,862,523 in FY2015.

- The Agency’s special education support services state foundation aid revenue was reduced a total of $5,144,676 as the result of a state-wide $22.5 million cut to all area education agencies. This is the second year for the state-wide cut of $22.5 million. Prior to that, the state-wide cut was $27.5 million for two years.

- The Agency completed its second year of self-funded health insurance. In FY2015 the internal service fund revenues totaled $7,690,561 and expenses totaled $6,354,198. The fund’s net position increased from $1,969,935 in FY2014 to $3,306,298 in FY2015. The internal service fund records activity for the self-funded health and dental insurances and for health reimbursement accounts.

USING THIS ANNUAL REPORT

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

- Management’s Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency’s financial activities.
- The Government-Wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Area Education Agency 11 as a whole and present an overall view of the Agency’s finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the Agency’s operations in more detail than the Government-Wide Statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency’s budget for the year to actual expenditures, and Other Supplementary Information provides detailed information about expenditures by function and federal awards.

Reporting the Agency as a Whole

The Statement of Net Position and the Statement of Activities

The Government-Wide Statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the

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

The two Government-Wide Statements report the Agency's net position and how they have changed. Net position is one way to measure the Agency's financial health or position.

- Over time, increases or decreases in the Agency's net position is an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, additional non-financial factors, such as changes in the Agency's student population base and the condition of its facilities need to be considered.
- The Government-Wide Financial Statements include the Agency's basic services, such as regular and special education instruction, student and instructional staff support services and administration. Property taxes, state aid and federal grants finance most of these activities.

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Funds

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Area Education Agency 11's net position at the end of FY2015 totaled approximately $(2.7) million compared to $22.8 million at the end of FY2014 which was restated through the implementation of GASB Statement No. 68 to ($6.8) million. The Agency's self-funded insurance internal service fund is included with the governmental activities in the government-wide financial statements. The Agency does not have any other Business-Type Activities, therefore the total is only composed of the Governmental Funds. The analysis that follows focuses on the net position and changes in net position.

Condensed Statement of Net Position

	FY2015	(Restated) FY2014	% Change
Assets:			
Current and other assets	$ 25,350,318	$ 23,814,055	6%
Capital assets	10,436,829	10,980,605	-5%
Total Assets	$ 35,787,147	$ 34,794,660	3%
Deferred Outflows of Resources	5,138,399	3,504,328	47%
Liabilities:			
Long-term obligations	$ 24,258,786	$ 33,071,252	-27%
Other liabilities	10,337,278	12,032,716	-14%
Total Liabilities	$ 34,596,064	$ 45,103,968	-23%
Deferred Inflows of Resources	9,070,450	-	
Net Position:			
Net investment in capital asset	$ 10,436,829	$ 10,980,605	-5%
Restricted	1,890,934	1,936,743	-2%
Unrestricted	(15,068,731)	(19,722,328)	-24%
Total Net Position	$ (2,740,968)	$ (6,804,980)	-60%

The Agency's total net position, as restated, increased by approximately $4.1 million from FY2014. The increase is primarily the result of changes in the net pension liability and related deferred inflows and resources from improved investment earnings with the state's retirement plan.

The Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by $29,566,924 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

The following analysis shows the changes in Net Position for the year ended June 30, 2015 as compared to June 30, 2014.

Changes in Net Position

	(Beginning Restated) **FY2015**	(Not Restated) **FY2014**	**% Change**
Revenues:			
Program Revenues:			
Charges for Services	$4,542,223	$3,536,486	28%
Operating Grants and Contributions	30,349,738	29,750,232	2%
General Revenues:			
Property Tax	22,747,176	21,606,532	5%
State Aid	30,845,502	28,817,039	7%
Unrestricted Investment Earnings	35,019	34,307	2%
Total Revenues	$88,519,658	$83,744,596	6%
Program Expenses:			
Instruction	$ 3,176,583	$ 3,326,596	-5%
Student Support Services	32,762,777	31,947,000	3%
Instructional Staff Support Services	25,655,341	23,767,240	8%
General Administration	3,611,661	3,494,282	3%
Regional Administration	4,081,766	3,988,551	2%
Business Administration	1,530,221	1,522,234	1%
Central and Other Support Services	4,273,257	4,274,428	0%
Printing, Delivery, and Coop Services	975,942	973,702	0%
Plant Operations and Maintenance	1,349,482	1,418,606	-5%
Student Transportation	658	744	-12%
Management services	130,070	131,117	-1%
Community Services Operations	162,958	169,784	-4%
LEA Part B Flow-Through	6,445,956	6,380,761	1%
Facilities Improvements	-	-	
Long-Term Debt Interest	-	-	
Depreciation-Unallocated	298,974	204,878	46%
Total Expenses	$ 84,455,646	$ 81,599,923	3%
Increase (Decrease) in Net Position	$4,064,012	$2,144,673	89%
Net Position-Beginning	(6,804,980)	20,617,271	-133%
Net Position-Ending	$ (2,740,968)	$22,761,944	-112%

The Agency's overall revenue increase of 6% was primarily due to an increase in State Aid-Formula Grants of 7% and an increase in Charges for Services of 28%. The increase in Charges for Services was due primarily to revenues received from state-wide training initiatives and increased revenues for state-wide on-line professional development.

The Agency's expenses primarily relate to instructional support services provided to local school districts, which account for over 85% of the operating expenses. Instructional support services provided to schools are reported above in the areas of Instruction, Student Support Services, Instructional Staff Support Services, Printing and Delivery, LEA Part B Flow-Through and a large portion of the Central and Other Support Services.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

As previously noted, Area Education Agency 11 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The Agency's Governmental Funds reported combined fund balances of $10,862,523, which is approximately $1.5 million greater than last year's ending fund balances of $9,360,048. The fund balance increase is primarily due to budgeted expenditures being deferred to the next fiscal year and a change in accounting for accrued compensated absences. Governmental Fund revenues increased approximately $4.7 million. The increased revenues are a result of a 4% increase to supplemental state aid and student enrollment increases. In addition, the Agency's revenues increased due to several state-wide training initiatives and an increase in the state-wide on-line professional development revenues. Governmental Fund expenditures increased approximately $2.2 million. The expenditure increase is generally due to employee salary increases as well as other operating expense increases.

Proprietary Fund

The Agency completed its second year of self-funded insurance. The fund's net position increased from $1,969,935 at June 30, 2014 to $3,306,298 at June 30, 2015. For FY2015 the fund had revenues of approximately $7.7 million and expenditures of approximately $6.4 million. The Agency will continue to monitor the fund's net position to ensure adequate funds are available.

BUDGETARY HIGHLIGHTS

The Agency's Board of Directors annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure level, not at the fund or fund type level. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board. Over the course of the year, the Agency amended its annual operating budget one time to reflect adjustments to revenue and expenditures associated with the services needed and provided to local school districts. A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the Required Supplementary Information Section of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the Agency had invested $10.4 million, net of accumulated depreciation in a broad range of capital assets, including land, buildings, computers, equipment, software, and an extensive library/media collection.

Area Education Agency 11 had depreciation expense of $1,072,431 in FY2015 and total accumulated depreciation of $11,784,585 at June 30, 2015. More detailed information about capital assets is available in Note 3 to the financial statements.

Debt Administration

At June 30, 2015 the Agency had no long-term outstanding bonded debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Iowa economy continues to improve. The Iowa legislature enacted a 1.25% supplemental state aid increase (allowable growth) for FY2016. With the student enrollment increases added in, the Agency will have a 2.59% increase in supplemental state aid in FY2016. The $22.5 million state-wide cut to all area education agencies will continue in FY2016. The Agency's share of the cut will be $5,144,676. Although sequestration of federal funds will not occur in FY2016, federal funding remains relatively flat compared to FY2015. Currently, the Agency does not know whether sequestration will affect future federal funding.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer of Area Education Agency 11, 6500 Corporate Drive, Johnston, Iowa 50131.

Exhibit A

Heartland Area Education Agency 11
Statement of Net Position
June 30, 2015

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 22,027,717
Due from Other Governments	2,356,879
Accounts Receivable	2,587
Accrued Interest	2,765
Prepaid Expenses	116,151
Capital Assets:	
Nondepreciable	1,136,985
Depreciable, net of accumulated depreciation	9,299,844
Other Post Employment Benefits	844,219
Total Assets	35,787,147
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Deferred Outflows	5,138,399
LIABILITIES	
Accounts Payable and Other Current Liabilities	9,847,546
Excess of Warrants Issued Over Bank Balance	8,634
Unearned Revenue	481,098
Long-term liabilities:	
Compensated absences	475,002
Net Pension Liability	23,783,784
Total Liabilities	34,596,064
DEFERRED INFLOWS OF RESOURCES	
Pension Related Deferred Inflows	9,070,450
NET POSITION	
Net Investment in Capital Assets	10,436,829
Restricted for:	
Materials Resource	1,297,054
State Teacher Categorical	421,018
Early Learning Initiative and TLC	172,862
Unrestricted	(15,068,731)
Total Net Position	(2,740,968)

See accompanying notes to the financial statements

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Heartland Area Education Agency 11
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contribution	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 3,176,583	$ 8,632	$ 2,811,786	$ -	$ (356,165)
Student support services	32,762,777	50,373	10,225,157	-	(22,487,247)
Instructional staff support services	25,655,341	3,377,253	9,657,897	-	(12,620,191)
General administration	3,611,661	11,755	243,193	-	(3,356,713)
Regional administration	4,081,766	1,109	-	-	(4,080,657)
Business administration	1,530,221	49,414	757,672	-	(723,135)
Central & other support services	4,273,257	446,687	12,875	-	(3,813,695)
Printing, delivery services & coop service	975,942	414,934	-	-	(561,008)
Plant operations and maintenance	1,349,482	97,250	26,389	-	(1,225,843)
Student transportation	658	-	658	-	-
Management services	130,070	83,156	-	-	(46,914)
Community services	162,958	1,660	168,155	-	6,857
LEA Part B Flowthrough	6,445,956	-	6,445,956	-	-
Facilities improvements	-	-	-	-	-
Debt service	-	-	-	-	-
Depreciation-unallocated	298,974	-	-	-	(298,974)
Total Primary Government	$ 84,455,646	$ 4,542,223	$ 30,349,738	-	$ (49,563,685)

General Revenues	
Property Taxes, Levied for General Purposes	$ 22,747,176
State Aid-Formula Grants	30,845,502
Unrestricted Investment Earnings	35,019
Total General Revenues	$ 53,627,697
Change in Net Position	4,064,012
Net Position-Beginning, as restated	(6,804,980)
Net Position-Ending	$ (2,740,968)

See accompanying notes to the financial statements

Heartland Area Education Agency 11
Balance Sheet
Governmental Funds
June 30, 2015

	General	Non-Major Funds	Total
ASSETS			
Cash and Cash Equivalents	$ 17,681,463	$ 196,844	$ 17,878,307
Due from Other Governments	2,250,826	106,053	2,356,879
Accounts Receivable	2,587	-	2,587
Accrued Interest	2,765	-	2,765
Prepaid Items	116,151	-	116,151
Total Assets	20,053,792	302,897	20,356,689
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Other Current Liabilities	8,752,662	294,263	9,046,925
Excess of Warrants Issued over Bank Balance	-	8,634	8,634
Unearned Revenue	438,607	-	438,607
Total Liabilities	9,191,269	302,897	9,494,166
FUND BALANCES			
Non-Spendable			
Prepaid Items	116,151	-	116,151
Restricted			
Materials Resource	1,297,054	-	1,297,054
State Teacher Categorical	421,018	-	421,018
Early Learning Initiative and TLC	172,862	-	172,862
Committed			
Unemployment	33,150	-	33,150
Facility and Site Improvements	704,532	-	704,532
Assigned			
Encumbrances	42,342	-	42,342
Unassigned/uncommitted	8,075,414	-	8,075,414
Total Fund Balances	10,862,523	-	10,862,523
Total Liabilities and Fund Balances	$ 20,053,792	$ 302,897	$ 20,356,689

See accompanying notes to the financial statements

Exhibit D

Heartland Area Education Agency 11
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total Fund Balances-Governmental Funds			$ 10,862,523
Amounts reported for Governmental Activities in the Statement of Net Position are different because:			
Asset for Other Post-Employment Benefits			844,219
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported as assets in Governmental Funds. The cost of the assets is $22,221,414 less the accumulated depreciation of $11,784,585			10,436,829
Pension related deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, are not due and payable in the current year and, therefore, are not reported in the governmental funds.			
Deferred outflows of resources	$	5,138,399	
Deferred inflows of resources		(9,070,450)	(3,932,051)
Long-term liabilities, including certificates of participation, capital leases, compensated absences, other post employment benefits payable and net pension liability, are not due and payable in the current year and, therefore are not reported in the governmental funds.			(24,258,786)
Internal Service Funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of net position			
Other current assets	$	4,149,410	
Other current liabilites		(843,112)	3,306,298
Total Net Position-Governmental Activities			$ (2,740,968)

See accompanying notes to financial statements.

Heartland Area Education Agency 11
Statement of Revenues, Expenditures and
Changes in Fund Balances-Governmental Funds
For the Year Ended June 30, 2015

	General	Non-Major Funds	Total
Revenues			
Local Sources	$ 27,225,540	$ 8,634	$ 27,234,174
State Sources	31,693,307	1,451,354	33,144,661
Federal Sources	27,950,687	97,418	28,048,105
Total Revenues	86,869,534	1,557,406	88,426,940
Expenditures			
Current:			
Instruction	2,035,054	1,265,849	3,300,903
Student Support Services	34,354,989	2,591	34,357,580
Instructional Staff Support Services	26,282,342	124,283	26,406,625
General Administration	3,500,200	138,892	3,639,092
Regional Administration	4,158,171	-	4,158,171
Business Administration	1,587,326	-	1,587,326
Central and Other Support Services	4,429,225	873	4,430,098
Printing & Delivery	952,488	-	952,488
Plant Operations and Maintenance	1,326,940	24,525	1,351,465
Student Transportation	265	393	658
Management Services	128,562	-	128,562
Community Services Operations	168,155	-	168,155
LEA Part B Flowthrough	6,445,956	-	6,445,956
Facilities Improvements	-	88,134	88,134
Total Expenditures	85,369,673	1,645,540	87,015,213
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,499,861	(88,134)	1,411,727
Other Financing Sources (Uses)			
Other	8,139	-	8,139
Sale of Equipment	82,609	-	82,609
Transfers In	-	88,134	88,134
Transfers Out	(88,134)	-	(88,134)
Total Other Financing Sources (Uses)	2,614	88,134	90,748
Net Change in Fund Balances	1,502,475	-	1,502,475
Fund Balances--Beginning	9,360,048	-	9,360,048
Fund Balances--Ending	$ 10,862,523	$ -	$ 10,862,523

See accompanying notes to the financial statements

Exhibit F

Heartland Area Education Agency 11
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,and Changes in Fund Balances to the Statement of Activities
For the Year ended June 30, 2015

Total Net Change in Fund Balances-Government Funds			$ 1,502,475
Amounts reported for Governmental Activities in the Statement of Activities are different because:			
Capital outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful life as depreciation expense. This is the amount by which depreciation ($1,072,431) exceeded capital outlay ($526,685) and donation revenue ($1,970)			(543,776)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures governmental funds, as follows:			
Compensated absences	$	(475,002)	
Pension expense		1,851,089	
Other post employment benefits		392,863	1,768,950
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.			1,336,363
Change in Net Position of Governmental Activities			$ 4,064,012

See accompanying notes to financial statements.

Heartland Area Education Agency 11
Statement of Net Position
Proprietary Fund
June 30, 2015

	Governmental Activities Internal Service
ASSETS	
Cash and Cash Equivalents	$ 4,149,410
Total Assets	4,149,410
LIABILITIES	
Accounts Payable	150,621
Claims Payable	650,000
Unearned Revenue	42,491
Total Liabilities	843,112
NET POSITION	
Unrestricted	$ 3,306,298
Total Net Position	$ 3,306,298

See accompanying notes to the financial statements

Heartland Area Education Agency 11
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2015

	Governmental Activities Internal Service
Operating revenues,	
Charges for Services	$ 7,690,561
Operating expenses:	
Purchased Services	455,360
Claims and Administration	5,830,711
Supplies	68,127
Total Operating expenses	6,354,198
Operating income	$ 1,336,363
Net position, beginning of year	1,969,935
Net position, end of year	$ 3,306,298

See accompanying notes to the financial statements

Heartland Area Education Agency 11
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

	Governmental Activities
	Internal Service
Cash Flows from financing activities	
Receipts from customers and users	$ 7,685,512
Payments to suppliers	(531,701)
Claims and administrative costs paid	(5,695,711)
Net cash provided by operating activities	$ 1,458,100
Net increase in cash and cash equivalents	$ 1,458,100
Cash and cash equivalents, beginning of year	2,691,310
Cash and cash equivalents, end of year	$ 4,149,410

Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 1,336,363
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities:	
Accounts receivable	3,147
Accounts payable	(8,214)
Claims payable	135,000
Unearned revenue	(8,196)
Net cash provided by operating activities	$ 1,458,100

See accompanying notes to the financial statements

Note 1. Summary of Significant Accounting Policies

Heartland Area Education Agency 11 is an intermediate school corporation between the State Department of Education and the local school Agencys in its area as provided by Chapter 273 of the Code of Iowa. The Agency provides programs and support services necessary to meet the identified educational needs in the local school Agencys to enable them to operate efficiently and effectively. The Agency serves 53 school Agencys and 29 accredited non-public schools in an eleven-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, Heartland Area Education Agency 11 has included all funds, organizations, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. Heartland Area Education Agency 11 has no component units that meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

The Agency reports the following non-major governmental funds:

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

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

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

The Capital Projects Fund is used to account for all resources used in the acquisition, construction and renovation of facilities.

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

The Internal Service Fund is used to account for goods or services provided by one department to other departments of the Agency on a cost reimbursement basis. The Internal Service Fund is used to account for the self-funded health and dental insurance programs. The Agency began self-funded health insurance July 1, 2013.

C. Use of Estimates

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

Note 1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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

E. Budgets and Budgetary Accounting

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

F. Assets, Liabilities and Fund Equity

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

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

Capital Assets - Capital assets, which include property, furniture and equipment, and intangibles are reported in the governmental column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of $3,000 and estimated useful lives in excess of two years.

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Unearned revenue: Proprietary funds defer revenue recognition in connection with resources that have been received, but not earned. Unearned revenue in governmental funds arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. Unearned revenue in the governmental funds consists of class and registration fees of $438,607 collected for programs and services that will be provided in the next fiscal year.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the Statement of Net Position representing the Agency's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid 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 and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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. The Agency does not have deferred inflows of resources in governmental funds as of June 30, 2015.

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

The Agency's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the

Agency considers committed funds to be expended first followed by assigned funds and then unassigned.

Note 2. Cash, Pooled Investments and Cash Equivalents

The Agency's deposits in banks at June 30, 2015 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage Agency. The Agency's investments at June 30, 2015 consisted of the following:

	Cost	Market Value
Iowa Schools Joint Investment Trust	$ 2,108,768	$ 2,108,768

The Agency had investments in the Iowa Schools Joint Investment Trust Direct Government Obligation Portfolio, which are valued at an amortized cost of $2,108,768 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services. The Agency does not have a separate credit risk policy from state statutes.

Note 2. Cash, Pooled Investments and Cash Equivalents (continued)

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

Note 3. Capital Assets

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

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,136,985	$ -	$ -	$ 1,136,985
Construction-in-progress	2,022,255	-	2,022,255	-
Total capital assets, not being depreciated	3,159,240	-	2,022,255	1,136,985
Capital assets, being depreciated:				
Buildings	6,113,419	-	6,976	6,106,443
Improvements other than buildings	2,892,504	2,110,390	-	5,002,894
Furniture and equipment	4,314,516	283,470	524,665	4,073,321
Intangibles	2,693,491	77,353	-	2,770,844
Library/media collection	3,552,840	79,697	501,610	3,130,927
Total capital assets, being depreciated	19,566,770	2,550,910	1,033,251	21,084,429
Accumulated depreciation:				
Buildings	1,780,835	131,900	6,976	1,905,759
Improvements other than buildings	1,711,818	167,075	-	1,878,893
Furniture and equipment	3,694,970	272,459	524,665	3,442,764
Intangibles	1,700,920	187,905	-	1,888,825
Library/media collection	2,856,862	313,092	501,610	2,668,344
Total accumulated depreciatior	11,745,405	1,072,431	1,033,251	11,784,585
Total capital assets, being depreciated, net	7,821,365	1,478,479	-	9,299,844
Governmental activities capital assets, net	$ 10,980,605	$ 1,478,479	$ 2,022,255	$ 10,436,829

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

Governmental Activities:	
Instruction	$ 3,393
Student support services	41,198
Instructional staff support services	364,146
General administration	2,809
Regional administration	15,821
Business services	342,457
Plant operations and maintenance	3,633
Unallocated	298,974
Total Governmental Activities Depreciation Expense	$ 1,072,431

Note 4. Long-Term Liabilities

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

	2014	Earned	Used	2015	Due Within One Year
Compensated absence	$ 441,896	$ 475,002	$ 441,896	$ 475,002	$ 475,002
Net pension liability	33,071,252	-	9,287,468	23,783,784	-
	$ 33,513,148	$ 475,002	$ 9,729,364	$ 24,258,786	$ 475,002

Compensated absences are liquidated from the General Fund.

Note 5. Operating Leases

Agency has leased various facilities within the area to house staff of the Agency. These leases have been classified as operating leases and, accordingly, all rents are charged to expenditures as incurred. The leases expire between June 30, 2015 and October 31, 2019. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2015.

Year Ended June 30,	
2016	$ 79,150
2017	79,494
2018	38,737
2019	22,880
2020	7,665
Total	$ 227,926

Total rental expenditures for the year ended June 30, 2015 for all operating leases, except those with terms of a month or less that were not renewed, were $125,109.

Note 6. Pension and Retirement Benefits

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

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

Note 6. Pension and Retirement Benefits (continued)

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, anytime 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. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

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

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

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

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and 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 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Agency contributed 8.93 percent for a total rate of 14.88 percent. The Agency's contributions to IPERS for the year ended June 30, 2015 were $3,668,934.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Agency reported a liability of $23,783,784 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Agency's proportion was .00587677 percent, which was an increase of .003586 from its proportion measured as of June 30, 2013.

Note 6. Pension and Retirement Benefits (continued)

For the year ended June 30, 2015, the Agency recognized pension expense of $1,851,089. At June 30, 2015, 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	$ 258,484	$ -
Changes of assumptions	1,049,632	-
Net difference between projected and actual earnings	-	-
on pension plan investments	-	9,070,450
Changes in proportion and differences between Agency	-	-
contributions and proportionate share of contributions	161,347	-
Agency contributions subsequent to the measurement date	3,668,936	-
Total	$ 5,138,399	$ 9,070,450

$3,668,936 reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	$ (1,924,280)
2017	(1,924,280)
2018	(1,924,280)
2019	(1,924,280)
2020	96,133
Total	$ (7,600,987)

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

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary Increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan, investment expense, including inflation

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

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

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

Note 6. Pension and Retirement Benefits (continued)

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Agency's proportionate share of the net pension liability	$ 44,938,791	$ 23,783,784	$ 5,926,766

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

Payables to the Pension Plan – At June 30, 2015, the Agency reported payables to the defined benefit pension plan of $320,762 for legally required employer contributions and $213,721 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The Agency operates a single-employer retiree benefit plan that provides medical and prescription drug benefits for retirees and their spouses. There are 559 active and 89 retired members in the plan. Participants must be age 55 years of age or older at retirement and have attained a minimum of 15 years of service.

The medical and prescription drug benefits are through a self insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis.

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

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

Annual required contribution, ARC	$ 749,000
Interest on net OPEB obligation	(19,000)
Adjustment to annual required contribution	17,000
Annual OPEB cost	747,000
Contributions made	1,139,863
Increase in net OPEB obligation	(392,863)
Net OPEB obligation (asset) beginning of year	(451,356)
Net OPEB obligation end of year	$ (844,219)

For calculation of the net OPEB obligation, the actuary set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the Agency contributed $1,139,863 to the medical plan. Plan members eligible for benefits contributed $246,542 or 35% of the premium costs.

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2013	$ 687,000	121.0%	$ (104,000)
June 30, 2014	687,000	150.6%	(451,356)
June 30, 2015	747,000	152.6%	(844,219)

Note 7. Other Postemployment Benefits (OPEB) (continued)

Funding Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation data for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was $7,869,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $7,869,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $41,218,334 and the ratio of the UAAL to covered payroll was 19%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumption about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past experience and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.2% discount rate based on the Agency's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

Projected claim costs of the medical plan are $814 per month for retirees of age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

Beginning July 1, 2013, the Agency has a self-funded health and dental insurance plan. The Agency purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125 percent of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of $35,000 in insured claims for any one covered individual. Settled claims have not exceeded the aggregate stop-loss coverage in the current year or commercial insurance in the previous three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for incurred but unpaid claims. Changes in the claims liability amounts for the years ended June 30, 2015 and 2014 were as follows:

Note 8. Risk Management (continued)

	Self-Insurance Fund	
	2015	2014
Claims payable, beginning of year	$ 515,000	$ -
Incurred claims (including IBNR and changes in estimates)	4,755,341	5,406,607
Claim payments	4,620,341	4,891,607
Claims payable, end of year	$ 650,000	$ 515,000

Heartland Area Education Agency 11 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.

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

The Agency adopted the following statements during the year ended June 30, 2015:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* issued June 2012. This Statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures,* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*, issued November 2013. This Statement amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The implementation of the above statements did not have a material impact to the Agency's financial statements except for GASB Statement No. 68 and No. 71 which required the Agency to change the accounting and reporting of pension expense, net pension liability, and the related deferred inflows of resources and deferred outflows of resources. As a result, the Agency's financial statements required a restatement as stated in Note 10. In addition, the new standards required new required supplementary information schedules.

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

As of June 30, 2015, GASB had issued several statements not yet required to be implemented by the Agency. The Statements which might impact the Agency are as follows:

GASB Statement No. 72, Fair Value Measurement and Application, issued February 2015, will be effective for the Agency beginning with its year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* issued June 2015, will be effective for the Agency beginning with its year ending June 30, 2016. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions,* as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans,* and Statement 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* issued June 2015, will be effective for the Agency beginning with its year ending June 30, 2017. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, will be effective for the Agency beginning with its year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* issued June 2015, will be effective for the Agency beginning with its year ending June 30, 2016. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to

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

prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

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

Note 10. Accounting Change and Restatement

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources that arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities
Net position June 30, 2014, as previously reported	$ 22,761,944
Net pension liability at June 30, 2014	(33,071,252)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	3,504,328
Net position July 1, 2014, as restated	$ (6,804,980)

Heartland Area Education Agency 11
Required Supplementary Information
Budgetary Comparison Schedule-All Governmental Funds
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final budget-
	Original	Final	Actual	Positive (Negative)
REVENUES				
Local Sources	$ 26,151,557	$ 27,114,868	$ 27,234,174	$ 119,306
State Sources	36,387,775	33,304,986	33,144,661	(160,325)
Federal Sources	27,155,239	28,701,030	28,048,105	(652,925)
Total Revenues	$ 89,694,571	$ 89,120,884	$ 88,426,940	$ (693,944)
EXPENDITURES				
Instruction	$ 3,586,330	$ 3,499,437	$ 3,300,903	$ 198,534
Student Support Services	37,528,481	34,649,089	34,357,580	291,509
Instructional Staff Support Services	25,303,060	27,568,912	26,406,625	1,162,287
General Administration	3,778,195	3,834,634	3,639,092	195,542
Regional Administration	4,325,970	4,334,315	4,158,171	176,144
Business Administration	1,608,473	1,602,767	1,587,326	15,441
Central and Other Support Services	4,629,917	4,719,555	4,430,098	289,457
Printing and Delivery	914,660	1,056,163	952,488	103,675
Plant Operations and Maintenance	1,698,074	1,482,910	1,351,465	131,445
Student Transportation	6,253	4,753	658	4,095
Management Services	136,306	137,912	128,562	9,350
Community Services Operations	217,129	235,344	168,155	67,189
LEA Part B Flowthrough	6,061,723	6,445,956	6,445,956	-
Facilities Improvements	-	247,745	88,134	159,611
Debt Service	-	-	-	-
Total Expenditures	$ 89,794,571	$ 89,819,492	$ 87,015,213	$ 2,804,279
Excess (Deficiency) of Revenues Over Expenditures	$ (100,000)	$ (698,608)	$ 1,411,727	$ 2,110,335
OTHER FINANCING SOURCES (USES)				
Other	-	-	8,139	(8,139)
Transfers In	-	247,745	88,134	159,611
Transfers Out	-	(247,745)	(88,134)	(159,611)
Sales of Equipment	-	47,000	82,609	(35,609)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing (Uses)	$ (100,000)	$ (651,608)	$ 1,502,475	$ 2,066,587

See Note to Required Supplementary Information.

Heartland Area Education Agency 11

Note to Required Supplementary Information
Budgetary Reporting
Year Ended June 30, 2015

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

The budget was amended once during the year to decrease revenues and other financing sources $526,687 and increase expenditures $24,921 to adjust for capital projects and to update funding sources and expenditures by function.

Heartland Area Education Agency 11
Required Supplementary Information
Schedule of Funding Progress for the Retiree Health Plan
For the Year Ended June 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2009	July 1, 2008	$ -	$ 7,517,000	$ 7,517,000	0%	$ 37,788,581	19.89%
2010	July 1, 2008	-	7,517,000	7,517,000	0%	37,788,581	19.89%
2011	July 1, 2010	-	6,860,000	6,860,000	0%	38,100,525	18.01%
2012	July 1, 2010	-	6,860,000	6,860,000	0%	38,100,525	18.01%
2013	July 1, 2012	-	7,451,000	7,451,000	0%	38,309,806	19.45%
2014	July 1, 2012	-	7,451,000	7,451,000	0%	38,309,806	19.45%
2015	July 1, 2014	-	7,869,000	7,869,000	0%	41,218,334	19.09%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

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Heartland Area Education Agency 11

Required Supplementary Information
Schedule of the Agency's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Ten Fiscal Years*
(In Thousands)

	2015
Agency's proportion of the net pension liability	0.5877%
Agency's proportionate share of the net pension liability	$ 23,784
Agency's covered-employee payroll	$ 41,085
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.89%
Plan fiduciary net pension as a percentage of the total pension liability	87.61%

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

Note 1: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.

See Note to Required Supplementary Information-Pension Liability

Heartland Area Education Agency 11

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

	2015	2014	2013	2012	2011	2010
Statutorily required contribution	$ 3,669	$ 3,505	$ 3,276	$ 3,053	$ 2,603	$ 2,514
Contributions in relation to the statutorily required contribution	$ (3,669)	$ (3,505)	$ (3,276)	$ (3,053)	$ (2,603)	$ (2,514)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Agency's covered-employee payroll	$ 41,085	$ 39,253	$ 37,781	$ 37,835	$ 37,453	$ 37,804
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

Note: Amounts in thousands

See Note to Required Supplementary Information-Pension Liability.

2009		2008		2007		2006	
$	2,371	$	2,113	$	1,812	$	1,714
$	(2,371)	$	(2,113)	$	(1,812)	$	(1,714)
$	-	$	-	$	-	$	-
$	37,333	$	34,922	$	31,517	$	29,811
	6.35%		6.05%		5.75%		5.75%

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year leg between the valuation date and the effective date of the annual actuarial contribution rate.
The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

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

Heartland Area Education Agency 11
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue			
	Correctional Facilities	Shelter Care	Capital Projects	Total
ASSETS				
Cash and Cash Equivalents	$ -	$ 196,844	$ -	$ 196,844
Due from Other Governments	8,634	97,419	-	106,053
Total Assets	8,634	294,263	-	302,897
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable and Other Current Liabilities	-	294,263	-	294,263
Excess of Warrants Issued over Bank Balance	8,634	-	-	8,634
Total Liabilities	8,634	294,263	-	302,897
FUND BALANCES				
Restricted	-	-	-	-
Total Fund Balances	-	-	-	-
Total Liabilities and Fund Balances	$ 8,634	$ 294,263	$ -	$ 302,897

Schedule 2

Heartland Area Education Agency 11
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances-Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue			
	Correctional Facilities	Shelter Care	Capital Projects	Total
Revenues				
Local Sources	$ 8,634	$ -	$ -	$ 8,634
State Sources	-	1,451,354	-	1,451,354
Federal Sources	-	97,418	-	97,418
Total Revenues	8,634	1,548,772	-	1,557,406
Expenditures				
Instruction	8,632	1,257,217	-	1,265,849
Student Support Services	-	2,591	-	2,591
Instructional Staff Support Services	-	124,283	-	124,283
General Administration	-	138,892	-	138,892
Central and Other Support Services	-	873	-	873
Plant Operations and Maintenance	2	24,523	-	24,525
Student Transportation	-	393	-	393
Facilities Improvements	-	-	88,134	88,134
Total Expenditures	8,634	1,548,772	88,134	1,645,540
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(88,134)	(88,134)
Other Financing Sources				
Transfers In	-	-	88,134	88,134
Total Financing Sources	-	-	88,134	88,134
Net Change in Fund Balances	-	-	-	-
Fund Balances--Beginning	-	-	-	-
Fund Balances--Ending	$ -	$ -	$ -	$ -

Heartland Area Education Agency 11

Schedule of Revenues by Source and Expenditures by Function -

All Governmental Fund Types

For the Last Four Years

	Modified Accrual Basis			
	For the years Ending June 30,			
	2015	2014	2013	2012
REVENUES				
Local sources	$ 27,234,174	$ 25,145,991	$ 24,751,850	$ 23,002,216
State	33,144,661	30,830,729	28,562,433	27,581,671
Federal	28,048,105	27,719,516	27,006,838	27,914,650
Total Revenues	$ 88,426,940	$ 83,696,236	$ 80,321,121	$ 78,498,537
EXPENDITURES				
Instruction	$ 3,300,903	$ 3,355,342	$ 3,185,974	$ 3,218,103
Student support services	34,357,580	32,719,004	31,696,083	29,710,400
Instructional staff support services	26,406,625	23,988,315	22,282,575	22,021,136
General administration	3,639,092	3,557,134	3,258,346	3,774,107
Regional administration	4,158,171	4,156,030	4,261,680	4,591,301
Business administration	1,587,326	1,592,811	1,500,034	1,264,830
Central & other support services	4,430,098	4,418,309	4,516,177	3,855,140
Printing and delivery services	952,488	938,652	705,596	1,411,097
Plant operations and maintenance	1,351,465	1,424,904	1,397,194	1,187,712
Student transportation	658	744	1,027	2,477
Management services	128,562	131,923	119,688	195,410
Community services	168,155	169,784	161,834	191,774
LEA Part B Flowthrough	6,445,956	6,380,761	6,948,573	6,711,880
Facilities improvements	88,134	2,022,255	-	62,699
Debt service	-	-	-	1,638,108
Total Expenditures	$ 87,015,213	$ 84,855,968	$ 80,034,781	$ 79,836,174

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Heartland Area Education Agency 11

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Number	Federal Expenditures
U.S. Department of Education:			
Indirect:			
Iowa Department of Education:			
Special Education Cluster:			
Special Education Grants to States, I.D.E.A. Part B	84.027	FY15 4521	$ 26,127,880
Special Education-Preschool Grants	84.173	FY15 4522	620,292
Special Education Cluster			26,748,172
Special Education-Grants for Infants & Families	84.181	FY15 4523	659,097
Safe & Drug-Free Schools and Communities National Programs	84.184	FY15 4647	40,378
English Language Acquisition State Grants	84.365	FY15 4644	411,834
Mathematics and Science Partnerships	84.366B	FY15 4695	52,420
Ames Community School District:			
Title 1 Grants to Local Education Agencies	84.010	FY15 4714	10,921
Des Moines Independent Public Schools:			
Title 1 Grants to Local Education Agencies	84.010	FY15 4714	90,024
Total U.S. Department of Education Programs			28,012,846
Total Expenditures of Federal Awards			$ 28,012,846

See Notes to the Schedule of Expenditures of Federal Awards.

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Heartland Area Education Agency 11

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of the Agency under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations.* Because the schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net position or cash flows of the entity.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue from federal awards is recognized when the Agency has done everything necessary to establish its right to the revenue. Pass-through entity identifying numbers are presented where available.

Note 3. Subrecipients

Of the federal expenditures presented in the schedule, the Agency provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount
Special Education, I.D.E.A PART B:		
LEA Part B Flow Through	84.027	$ 6,445,956
Education for the Handicapped	84.027	5,815,603
Parent Educator Model	84.027	20,221
AYP Alternate Assessment Teacher Training Grant	84.027	18,845
Special Education, Part 619 – Preschool Grants	84.173	167,821
Special Education, Part C – Grants for Infants & Families	84.181	193,566
English Language Acquisition State Grants	84.365	154,424

Heartland Area Education Agency 11

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

Findings	Status	Corrective Action Plan or Other Explanation
No Prior Audit Findings		

Bohnsack & Frommelt LLP
Certified Public Accountants

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

To the Board of Directors
Heartland Area Education Agency 11
Johnston, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Heartland Area Education Agency 11, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated November 3, 2015. Our report included an emphasis of matter paragraph for the implementation of Governmental Accounting Standard Board Statement No. 68.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Heartland Area Education Agency 11's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Heartland Area Education Agency 11's internal control. Accordingly, we do not express an opinion on the effectiveness of Heartland Area Education Agency 11's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heartland Area Education Agency 11's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Heartland Area Education Agency 11's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Heartland Area Education Agency 11's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
November 3, 2015

Bohnsack & Frommelt LLP
Certified Public Accountants

**Independent Auditor's Report on Compliance For
Each Major Federal Program and On Internal Control
Over Compliance in Accordance with OMB Circular A-133**

To the Board of Directors
Heartland Area Education Agency 11
Johnston, Iowa

Report on Compliance for Each Major Federal Program

We have audited Heartland Area Education Agency 11's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Heartland Area Education Agency 11's major federal programs for the year ended June 30, 2015. Heartland Area Education Agency 11's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Heartland Area Education Agency 11's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Heartland Area Education Agency 11's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Heartland Area Education Agency 11's compliance.

Opinion on Each Major Federal Program

In our opinion, Heartland Area Education Agency 11 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Heartland Area Education Agency 11 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Heartland Area Education Agency 11's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Heartland Area Education Agency 11's internal control over compliance.

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

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

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

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
November 3, 2015

Heartland Area Education Agency 11

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results

a) Unmodified opinions were issued on the financial statements.

b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.

c) The audit did not disclose any noncompliance which is material to the financial statements.

d) There were no significant deficiencies in internal control over major programs.

e) Unmodified opinions were issued on compliance with requirements applicable to each major program.

f) There were no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

g) Major programs were as follows:

CFDA Number	Name of Federal Program or Cluster
Special Education Cluster:	
84.027	Special Education Grants to States, I.D.E.A. Part B
84.173	Special Education-Preschool Grants

h) The dollar threshold used to distinguish between Type A and Type B programs was $840,385.

i) Heartland Area Education Agency 11 qualified as a low-risk auditee.

(Continued)

II. Findings Relating to the Basic Financial Statements

A. Internal Control

No matters reported.

B. Instances of Noncompliance

No matters reported.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control for Federal Awards

No matters reported.

B. Instances of Noncompliance

No matters reported

IV. Other Findings Related to the Required Statutory Reporting

IV-A-15
Certified Budget – Expenditures for the year ended June 30, 2015, did not exceed the amounts budgeted at year-end.

IV-B-15
Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-15
Travel Expense – No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

IV-D-15
Business Transactions – Business transactions between the Agency and Agency officials are as follows:

Official	Transaction Description	Amount
Son of Board Member Earl Bridgewater President of Baker Group	Construction Services	$72,156

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction does not appear to represent a conflict of interest.

IV-E-15
Bond Coverage – Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-15
Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

(Continued)

IV-G-15
Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.

IV-H-15
Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-I-15
Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.