

**CENTRAL RIVERS AREA EDUCATION AGENCY**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2020**



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**CENTRAL RIVERS AREA EDUCATION AGENCY  
OFFICIALS**

**BOARD OF DIRECTORS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dr. Debra Rich	President	December 31, 2021
Maureen Hanson	Vice-President	December 31, 2023
Roberta Kraft-Abrahamson	Member	December 31, 2021
Dr. Darshini Jayawardena	Member	December 31, 2023
Dr. Mary Stevens	Member	December 31, 2023
Dr. Tony Reid	Member	December 31, 2021
Bryan Burton	Member	December 31, 2021
Dennis Craun, Jr.	Member	December 31, 2023
Kathryn Enslin	Member	December 31, 2023

**AGENCY**

Sam Miller	Chief Administrator
Michael Kalvig	Chief Financial Officer and Treasurer
Lori Thomas	Board Secretary



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Central Rivers Area Education Agency  
Cedar Falls, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Central Rivers Area Education Agency (Agency), as of and for the year ended June 30, 2020, 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.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of the Agency's proportionate share of the net pension liability, the schedule of Agency contributions and the schedule of changes in the Agency's total OPEB liability and related ratios on pages 5 through 11 and 42 through 47 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 financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual fund financial statements and the 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 combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Matters (Continued)**

*Other Information (Continued)*

The officials and schedule of revenues by source and expenditures by function have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 29, 2021, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Agency's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Cedar Rapids, Iowa  
January 29, 2021

**CENTRAL RIVERS AREA EDUCATION AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

Central Rivers Area Education Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

**2020 FINANCIAL HIGHLIGHTS**

General Fund revenue and other financing sources increased from \$49,287,490 in fiscal year 2019 to \$49,742,073 in fiscal year 2020, an increase of \$454,583. General Fund expenditures and other financing uses increased from \$48,148,062 in fiscal year 2019 to \$48,410,747 in fiscal year 2020, an increase of \$262,685. General Fund net change in fund balance was \$1,139,428 in fiscal year 2019 compared to \$1,331,326 in fiscal year 2020. This primarily resulted in an increase in the Agency's General Fund balance from \$10,148,594 in fiscal year 2019 to \$11,479,920 in fiscal year 2020.

The increase in General Fund revenue and other financing sources of \$454,583, was primarily the result of increased state and local funding. The increase in General Fund expenditures and other financing sources of \$262,685 was primarily the result of increased salary and benefit costs. The fund balance of \$11,479,920 consists of non-spendable fund balance of \$280,475, restricted fund balance of \$975,915, committed fund balance of \$3,006,137, assigned fund balance of \$49,109, and unassigned fund balance of \$7,168,284. The unassigned fund balance as of the end of the fiscal year 2020 represents approximately 14.8% of the fiscal year 2020 expenditures and other financial uses.

**USING THIS ANNUAL REPORT**

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-Wide Financial Statements consist of a statement of net position and a statement of activities. These provide information about the activities of Central Rivers Area Education Agency as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the Government-wide 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.



**CENTRAL RIVERS AREA EDUCATION AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**USING THIS ANNUAL REPORT**

- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, the Agency's share of the net pension liability and related contributions, as well as presenting the schedule of changes in the Agency's total OPEB liability and related ratios.
- Supplementary Information provides detailed information about the nonmajor funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the Agency.

**REPORTING THE AGENCY AS A WHOLE**

**Government-Wide Financial Statements**

The Government-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Agency's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. All of the current year revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

Most of the Agency's basic services are included in governmental activities. These include regular and special education instruction, student and instructional staff support services and administration. Local school districts, federal and state aid finance most of these activities.

**Fund Financial Statements**

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

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

**CENTRAL RIVERS AREA EDUCATION AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**REPORTING THE AGENCY AS A WHOLE**

**Fund Financial Statements**

The Agency has three kinds of funds:

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

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

2. Proprietary funds include internal services funds which are used to account for dental and health insurance, and employee flexible dollars.

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

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

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

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

**CENTRAL RIVERS AREA EDUCATION AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. The Agency's net position as of the end of fiscal year 2020 was \$7.9 million deficit compared to a deficit balance of approximately \$8.4 million as of the end of fiscal year 2019.

	Condensed Statement of	
	Net Position	
	Governmental Activities	
	June 30,	
	2020	2019
<b>Assets</b>		
Current and Other Assets	\$ 19,036,629	\$ 17,267,254
Capital Assets	11,442,397	11,609,025
Total Assets	<u>30,479,026</u>	<u>28,876,279</u>
<b>Deferred Outflows of Resources</b>	<u>8,048,055</u>	<u>7,401,634</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 38,527,081</u>	<u>\$ 36,277,913</u>
<b>Liabilities</b>		
Long-Term Obligations	\$ 34,206,516	\$ 34,426,224
Other Liabilities	6,593,619	6,360,675
Total Liabilities	<u>40,800,135</u>	<u>40,786,899</u>
<b>Deferred Inflows of Resources</b>	5,586,794	3,891,686
<b>Net Position</b>		
Net Investment in Capital Assets	6,027,941	4,767,252
Restricted	975,915	829,464
Unrestricted	<u>(14,863,704)</u>	<u>(13,997,388)</u>
<b>Total Net Position</b>	<u>(7,859,848)</u>	<u>(8,400,672)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 38,527,081</u>	<u>\$ 36,277,913</u>

The Agency's combined net position increased by 6.4%, or \$540,824, from fiscal year 2019. The change in net position was primarily due to the calculation of IPERS net pension liability.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

	Changes in Net Position	
	Governmental Activities	
	June 30,	
	2020	2019
<b>Revenues</b>		
Program Revenues:		
Charges for Service	\$ 1,625,996	\$ 1,851,977
Operating Grants and Contributions	<u>26,274,739</u>	<u>25,939,459</u>
General Revenues:		
Property Tax	12,940,645	12,789,982
State Foundation Aid	13,853,924	13,512,763
Unrestricted Investment Earnings	<u>184,188</u>	<u>209,604</u>
Total Revenues	<u>54,879,492</u>	<u>54,303,785</u>
<b>Expenses</b>		
Program Expenses:		
Instruction	7,857,851	7,863,839
Student Support Services	23,720,619	22,369,843
Instructional Staff Support Services	12,480,548	11,658,306
General Administration	1,746,603	1,619,837
Business Administration	5,825,514	5,817,822
Plan Operations and maintenance	1,606,492	1,835,307
Central and Other Support Services	398,456	478,798
Noninstructional programs	131,624	162,238
Debt service fiscal charges	146,651	153,316
Depreciation (unallocated)	<u>424,310</u>	<u>442,167</u>
Total Expenses	<u>54,338,668</u>	<u>52,401,473</u>
<b>Change in Net Position</b>	540,824	1,902,312
Net Position - Beginning of Year	<u>(8,400,672)</u>	<u>(10,302,984)</u>
<b>Net Position - End of Year</b>	<u>\$ (7,859,848)</u>	<u>\$ (8,400,672)</u>

The Agency's expenses primarily relate to instruction, student support services, and instructional staff support services.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**INDIVIDUAL FUND ANALYSIS**

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

The Agency's governmental funds reported combined fund balances of \$11,479,920, which is an increase from the beginning of the year fund balances of \$10,148,594.

**Governmental Fund Highlights**

The General Fund balance increased \$1,331,326. The primary reason for the increase in the General Fund balance was due to an increase in revenue from state sources.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the Agency amended its budget once to reflect a decrease in revenue and a decrease in expenditures. Area Education Agencies are required to submit the original certified budget to the Department of Education by February 15<sup>th</sup>. This due date is frequently before the legislature has set funding levels for the fiscal year budget being certified and before federal allocations are known. It may also be prior to knowing settlements with collective bargaining units. Therefore, the amended revenues and expenditures are primarily due to more accurate assumptions.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2020, the Agency had invested \$11,442,397, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers, and audio-visual equipment. This is a net decrease of \$166,628 from the prior fiscal year.

The Agency reported depreciation expense of \$753,616 in fiscal year 2020 and total accumulated depreciation of \$11,808,723 as of June 30, 2020. More detailed information about capital assets is available in Note 3 to the financial statements.

**Long-Term Liabilities**

As of June 30, 2020, the Agency had \$35,093,035 of long-term liabilities that consisted of net pension liability, total OPEB liability, certificates of participation, lease obligations, compensated absences, and termination benefits. In fiscal year 2017, the Agency sold \$6,082,240 in certificates of participation for land and facilities. More detailed information about the Agency's long-term liabilities is available in Note 6 to the financial statements.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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

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

On March 13, 2020, President Donald Trump declared the novel coronavirus (COVID-19) a national emergency and on March 15, 2020, Governor Reynolds recommended that Iowa Schools suspend classes. In response, the agency suspended services and most employees began working remotely when possible. On March 19, 2020, the Central Rivers Area Education Agency Board of Directors approved a pay resolution so that employees would receive their customary and regular pay. Although COVID-19 has increased expenditures for sanitization supplies and protective supplies, the agency saw greater savings from the reduction in travel expenses and mileage reimbursement to employees. It is unclear how COVID-19 will impact future fiscal years.

Due to the economy, state and federal funding levels continue to be an area of concern for the LEA's and AEA's throughout the state. For fiscal year 2020, the supplemental state aid was set by the legislature at 2.30% and the state-wide reduction to all area education agencies remained at \$22.5 million.

With much of our funding based on enrollment, stable enrollment is critical in maintaining a sound financial position. The Agency had seen a significant decline of 768.5 in the budgeted enrollment in the Fall of 2020. It is believed that this enrollment decrease is due to the COVID-19 pandemic. Families may have chosen to home school their children or wait a year before enrolling their child in kindergarten.

Health Insurance contributions can have a significant impact on the Agency's negotiated settlements and employee benefit expenses. The Agency has decided to fully self-fund their health insurance plan beginning with the July 1, 2018, plan year.

The Agency continued to lease the Special Education and Conference Center facilities to a school district in fiscal year 2020. Once the lease is terminated, the Agency will resume looking for buyers interested in purchasing these facilities. It is the intent of the Board to commit the proceeds and investment income from the sale of the facilities, to repay the lease purchase agreement the Board approved in January, 2017. As of June 30, 2020, the Board had committed \$1,352,800 toward the repayment of the remaining principal of \$5,176,989.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer's office of Central Rivers Area Education Agency, 1521 Technology Parkway, Cedar Falls, Iowa, 50613.

**CENTRAL RIVERS AREA EDUCATION AGENCY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	Governmental Activities	Component Unit AEA6 Foundation
<b>ASSETS</b>		
Cash, Cash Equivalents, and Investments	\$ 16,830,881	\$ 736,147
Due from Other Governments	1,925,273	-
Inventories	71,031	-
Prepaid Expenses	209,444	-
Capital Assets, Not Depreciable	1,270,198	-
Capital Assets, Depreciable (Net of Accumulated Depreciation)	10,172,199	-
Total Assets	30,479,026	736,147
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related Deferred Outflows	7,224,784	-
OPEB Related Deferred Outflows	823,271	-
Total Deferred Outflows of Resources	8,048,055	-
Total Assets and Deferred Outflows of Resources	38,527,081	736,147
<b>LIABILITIES</b>		
Accounts Payable	1,521,400	-
Salaries and Benefits Payable	4,159,785	-
Deposits Payable	25,915	-
Long-Term Liabilities		
Portion Due or Payable Within One Year		
Certificates of Participation	339,188	-
Capital Lease	40,203	-
Compensated Absences	352,205	-
Special Termination Benefit	22,500	-
Net OPEB Liability	132,423	-
Portion Due or Payable After One Year		
Certificates of Participation	4,837,801	-
Capital Lease	137,641	-
Net Pension Liability	26,605,323	-
Net OPEB Liability	2,625,751	-
Total Liabilities	40,800,135	-
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related Deferred Inflows	5,416,391	-
OPEB Related Deferred Inflows	170,403	-
Total Deferred Inflows of Resources	5,586,794	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	6,027,941	-
Restricted for:		
Categorical Funding	404,947	-
Media Materials	570,968	-
Unrestricted	(14,863,704)	736,147
Total Net Position	\$ (7,859,848)	\$ 736,147

See accompanying Notes to Financial Statements.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
STATEMENT ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

Functions	Expenses	Program Revenues		Net (Expense)	Component Unit
		Charges for Service	Operating Grants and Contributions	Revenue and Changes in Net Position	
				Governmental Activities	AEA 6 Foundation
<b>Governmental Activities</b>					
Instruction	\$ 7,857,851	\$ 451,477	\$ 6,273,495	\$ (1,132,879)	\$ -
Student Support Services	23,720,619	-	19,387,258	(4,333,361)	-
Instructional Staff Support Services	12,480,548	485,560	613,986	(11,381,002)	-
General Administration	1,746,603	42,777	-	(1,703,826)	-
Business Administration	5,825,514	21,955	-	(5,803,559)	-
Plant Operations and Maintenance	1,606,492	-	-	(1,606,492)	-
Central and Other Support Services	398,456	-	-	(398,456)	-
Noninstructional Programs	131,624	624,227	-	492,603	-
Debt Service Fiscal Charges	146,651	-	-	(146,651)	-
Depreciation (Unallocated)	424,310	-	-	(424,310)	-
Total Governmental Activities	<u>\$ 54,338,668</u>	<u>\$ 1,625,996</u>	<u>\$ 26,274,739</u>	(26,437,933)	-
<b>Component Unit</b>					
AEA6 Foundation	\$ 29,817	\$ -	\$ -	-	(29,817)
<b>General Revenues</b>					
Property Tax levied for General Purposes				12,940,645	-
State Foundation Aid				13,853,924	-
Unrestricted Investment Earnings				184,188	65,357
Total General Revenues				<u>26,978,757</u>	<u>65,357</u>
<b>CHANGE IN NET POSITION</b>				540,824	35,540
Net Position - Beginning of Year				<u>(8,400,672)</u>	<u>700,607</u>
<b>NET POSITION - END OF YEAR</b>				<u>\$ (7,859,848)</u>	<u>\$ 736,147</u>

See accompanying Notes to Financial Statements.



**CENTRAL RIVERS AREA EDUCATION AGENCY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	General	Special Education Instruction	Total Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash, Cash Equivalents, and Investments	\$ 13,862,685	\$ -	\$ 232,417	\$ 14,095,102
Due from Other Governments	1,333,737	591,536	-	1,925,273
Due from Other Funds	283,596	-	-	283,596
Inventories	71,031	-	-	71,031
Prepaid Expenses	209,444	-	-	209,444
Total Assets	<u>\$ 15,760,493</u>	<u>\$ 591,536</u>	<u>\$ 232,417</u>	<u>\$ 16,584,446</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,108,849	\$ 38,255	\$ 136,838	\$ 1,283,942
Salaries and Benefits Payable	2,913,923	220,074	82,199	3,216,196
Deposits Payable	25,915	-	-	25,915
Due to Other Funds	231,886	333,207	13,380	578,473
Total Liabilities	<u>4,280,573</u>	<u>591,536</u>	<u>232,417</u>	<u>5,104,526</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	71,031	-	-	71,031
Prepaid Expenses	209,444	-	-	209,444
Restricted for:				
Categorical Funding	404,947	-	-	404,947
Media Materials	570,968	-	-	570,968
Committed for:				
Retro Workers' Compensation Program	302,994	-	-	302,994
Principal and Interest	475,343	-	-	475,343
Building Debt	1,352,800	-	-	1,352,800
Data Center Equipment	275,000	-	-	275,000
Parking Lot	100,000	-	-	100,000
Technology Updates	250,000	-	-	250,000
Building Renovations	250,000	-	-	250,000
Assigned for:				
Equipment Repair	35,791	-	-	35,791
Teachers from Spain	13,318	-	-	13,318
Unassigned	7,168,284	-	-	7,168,284
Total Fund Balances	<u>11,479,920</u>	<u>-</u>	<u>-</u>	<u>11,479,920</u>
Total Liabilities and Fund Balances	<u>\$ 15,760,493</u>	<u>\$ 591,536</u>	<u>\$ 232,417</u>	<u>\$ 16,584,446</u>

See accompanying Notes to Financial Statements.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2020**

<b>Total Fund Balance for Governmental Funds</b>		<b>\$ 11,479,920</b>
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$23,251,120 and the accumulated depreciation is \$11,808,723.</p>		11,442,397
<p>Internal service funds are used by management to charge the costs of dental and health insurance and employee flexible dollars to individual funds. These assets of the internal service funds are included in governmental activities in the statement of net position.</p>		1,849,609
<p>Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds.</p>		
<p>Deferred Outflows of Resources</p>	\$ 8,048,055	
<p>Deferred Inflows of Resources</p>	<u>(5,586,794)</u>	2,461,261
<p>Long-term liabilities are not due and payable in the current year and therefore, are not reported in the governmental funds.</p>		
<p>Certificates of Participation</p>		(5,176,989)
<p>Capital Lease</p>		(177,844)
<p>Compensated Absences</p>		(352,205)
<p>Net Pension Liability</p>		(26,605,323)
<p>Net OPEB Liability</p>		(2,758,174)
<p>Special Termination Benefit</p>		<u>(22,500)</u>
<b>Total Net Position of Governmental Activities</b>		<b><u>\$ (7,859,848)</u></b>

See accompanying Notes to Financial Statements.

**CENTRAL RIVERS AREA EDUCATION AGENCY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	General	Special Education Instruction	Total Nonmajor Governmental Funds	Total
<b>REVENUES</b>				
Local Sources	\$ 15,857,626	\$ 3,607,570	\$ 396	\$ 19,465,592
State Sources	17,009,592	166,974	1,512,021	18,688,587
Federal Sources	16,725,313	-	-	16,725,313
Total Revenues	<u>49,592,531</u>	<u>3,774,544</u>	<u>1,512,417</u>	<u>54,879,492</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	2,928,344	3,511,157	1,357,470	7,796,971
Student Support Services	23,254,511	91,576	-	23,346,087
Instructional Staff Support Services	12,201,312	2,355	1,662	12,205,329
General Administration	1,639,809	-	117,815	1,757,624
Business Administration	5,668,530	164,794	11,893	5,845,217
Plant Operations and Maintenance	1,419,695	2,652	17,734	1,440,081
Central and Other Support Services	319,693	520	-	320,213
Noninstructional Programs	133,517	-	-	133,517
Facilities Acquisition and Construction	-	-	349,053	349,053
Debt Service	-	-	503,616	503,616
Total Expenditures	<u>47,565,411</u>	<u>3,773,054</u>	<u>2,359,243</u>	<u>53,697,708</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	2,027,120	1,490	(846,826)	1,181,784
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	852,669	852,669
Transfers Out	(845,336)	(1,490)	(5,843)	(852,669)
Proceeds from Issuance of Capital Lease	140,223	-	-	140,223
Proceeds from Sale of Capital Assets	9,319	-	-	9,319
Total Other Financing Sources (Uses)	<u>(695,794)</u>	<u>(1,490)</u>	<u>846,826</u>	<u>149,542</u>
Net Change in Fund Balance	1,331,326	-	-	1,331,326
<b>FUND BALANCES</b>				
Beginning of Year	<u>10,148,594</u>	<u>-</u>	<u>-</u>	<u>10,148,594</u>
End of Year	<u>\$ 11,479,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,479,920</u>

See accompanying Notes to Financial Statements.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 1,331,326**

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

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

Expenditures for Capital Assets	\$ 966,173	
Loss on Disposals	(379,185)	
Depreciation/Amortization Expense	<u>(753,616)</u>	(166,628)

Internal service funds are used by management to charge the costs of dental and health insurance and employee flexible dollars to individual funds. The change in net position of the internal service funds are included in governmental activities in the statement of net position.

402,912

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

Certificates of Participation		330,496
Capital Leases		26,469

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

(140,223)

Governmental funds report pension and other postemployment benefit contributions as expenditures when made. However, in the Statement of Activities, pension and other postemployment benefit expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions and other postemployment benefits, and the investment experience.

Pension Contributions	2,472,572	
Pension Expense	<u>(3,537,344)</u>	(1,064,772)
Other Postemployment Benefit Contributions	132,423	
Other Postemployment Benefit Expense	<u>(281,430)</u>	(149,007)

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

Special Termination Benefit		(7,500)
Compensated Absences		<u>(22,249)</u>

**Total Change in Net Position of Governmental Activities** **\$ 540,824**

See accompanying Notes to Financial Statements.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2020**

	Internal Service		Total
	Dental/Health Insurance	Employee Flexible Dollars	
<b>CURRENT ASSETS</b>			
Cash, Cash Equivalents, and Investments	\$ 2,623,452	\$ 112,327	\$ 2,735,779
Due from Other Funds	294,877	-	294,877
Total Assets	<u>2,918,329</u>	<u>112,327</u>	<u>3,030,656</u>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	214,870	22,588	237,458
Accrued Liabilities	943,589	-	943,589
Total Liabilities	<u>1,158,459</u>	<u>22,588</u>	<u>1,181,047</u>
<b>NET POSITION - UNRESTRICTED</b>	<u>\$ 1,759,870</u>	<u>\$ 89,739</u>	<u>\$ 1,849,609</u>

See accompanying Notes to Financial Statements.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2020**

	Internal Service		Total
	Dental/Health Insurance	Employee Flexible Dollars	
<b>OPERATING REVENUE</b>			
Contributions	\$ 5,813,446	\$ 242,943	\$ 6,056,389
<b>OPERATING EXPENSES</b>			
Claims, Premiums, and Fees	<u>5,402,566</u>	<u>250,911</u>	<u>5,653,477</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	410,880	(7,968)	402,912
Net Position - Beginning of Year	<u>1,348,990</u>	<u>97,707</u>	<u>1,446,697</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 1,759,870</u></u>	<u><u>\$ 89,739</u></u>	<u><u>\$ 1,849,609</u></u>

See accompanying Notes to Financial Statements.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2020**

	Internal Service		
	Dental/Health Insurance	Employee Flexible Dollars	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Contributions	\$ 5,804,986	\$ 242,943	\$ 6,047,929
Cash Paid for Claims, Premiums, and Fees	(5,363,612)	(228,323)	(5,591,935)
Net Cash Provided by Operating Activities	<u>441,374</u>	<u>14,620</u>	<u>455,994</u>
<b>NET INCREASE IN CASH, CASH EQUIVALENTS, AND INVESTMENTS</b>	441,374	14,620	455,994
Cash, Cash Equivalents, and Investments - Beginning of Year	<u>2,182,078</u>	<u>97,707</u>	<u>2,279,785</u>
<b>CASH, CASH EQUIVALENTS, AND INVESTMENTS - END OF YEAR</b>	<u><u>\$ 2,623,452</u></u>	<u><u>\$ 112,327</u></u>	<u><u>\$ 2,735,779</u></u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Income (Loss) from Operations	\$ 410,880	\$ (7,968)	\$ 402,912
Change in Due from Other Funds	(10,302)	-	(10,302)
Change in Accounts Receivable	1,842	-	1,842
Change in Prepaid Expenses	1,044	-	1,044
Change in Accounts Payable	(31,869)	22,588	(9,281)
Change in Accrued Liabilities	69,779	-	69,779
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 441,374</u></u>	<u><u>\$ 14,620</u></u>	<u><u>\$ 455,994</u></u>

See accompanying Notes to Financial Statements.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
BALANCE SHEET  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2020**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents, and Investments	\$ 692,990
Due from Other Governments	<u>138,860</u>
Total Assets	<u><u>\$ 831,850</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 206,220
Due to Other Governments	<u>625,630</u>
Total Liabilities	<u><u>\$ 831,850</u></u>

See accompanying Notes to Financial Statements.



**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Central Rivers Area Education Agency (Agency) is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 53 public school districts and 18 nonpublic school districts in an eighteen-county area. The Agency is governed by a Board of Directors whose members are elected on a nonpartisan basis.

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

**Reporting Entity**

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

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

**Discretely Presented Component Unit**

The AEA6 Foundation (Foundation) is a legally separate entity, organized as a charitable organization under Chapter 501(c)(3) of the Internal Revenue Code. The Foundation's primary purpose is to collect funds and provide financial support for a swimming pool operated by Central Rivers Area Education Agency. The Foundation is governed by a seven-member Board of Directors. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The financial information presented is as of and for its year-end of December 31, 2019.

**Blended Component Unit**

The Central Rivers Area Education Agency Foundation (Foundation) is a legally separate entity, organized as a charitable organization under Chapter 501(c) (3) of the Internal Revenue Code. The Foundation's primary purpose is to collect funds and provide financial support for the Agency. Although it is legally separate from the Agency, Central Rivers Area Education Agency Foundation is, in substance, part of the Agency's operations and therefore data from this unit is combined with data of the primary government.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**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 normally are supported by intergovernmental revenue.

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

*Net Investment in Capital Assets* – consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The Agency reports the following major governmental funds:

The General Fund – 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.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**Basis of Presentation (Continued)**

Special Revenue Special Education Instruction Fund – The Special Education Instruction Fund is used to account for programs to employ teachers to provide instruction to special education students. The actual costs of providing instructional services are billed to the individual school districts.

The Agency reports the following proprietary funds:

The Internal Service, Dental/Health Insurance Fund is used to account for the Agency's self-funded dental and health insurance programs.

The Internal Service, Employee Flexible Dollars Fund is used to account for the Agency's Employee flexible benefit program.

The Agency also reports the following fiduciary funds:

The Agency Funds are used to account for assets held by the Agency as an agent for individuals, private organizations and other governments. The Agency Funds are custodial in nature, assets equal liabilities, and does not involve measurement of results of operations. As it relates to the Agency, the fiduciary funds report activity for certain grant funding and other program funding which belong to local recipients/entities.

**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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year-end.

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

**CENTRAL RIVERS AREA EDUCATION AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**Measurement Focus and Basis of Accounting (Continued)**

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 are employee contributions. Operating expenses for the internal service funds are claims, premiums, and fees. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

*Cash, Cash Equivalents, and Pooled Investments* - Cash includes amounts in demand deposits and money market funds. The Agency has a Government Money Market Mutual Fund Sweep account, which consists of short-term investments in U.S. Government obligations and repurchase agreements collateralized by U.S. Government obligations. As of June 30, 2020, the Agency held \$10,806,385 in this account. The amount is presented in the financial statements as a cash equivalent. Component unit investments are stated at fair value on the Statement of Net Position. The Agency held no investments as of June 30, 2020.

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

*Due From Other Governments* – Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants, and reimbursements from other governments.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)**

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

*Prepaid Expenses* – Certain payments to vendors reflect future accounting periods and are recorded as prepaid expenses in both the Government-wide and the fund financial statements on the consumption method.

*Capital Assets*

Capital assets, which include property and furniture and equipment are reported in the governmental activities column in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements Other Than Buildings	2,000
Intangibles	100,000
Furniture and Equipment	2,000
Library Books and Films	No threshold

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 Years
Improvements Other Than Buildings	20-30 Years
Intangibles	2-10 Years
Furniture and Equipment	5-20 Years
Library Books and Films	5 Years

*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.

**CENTRAL RIVERS AREA EDUCATION AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)**

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

*Compensated Absences* – Agency employees accumulate a limited amount of earned but unused vacation and paid time off hours for subsequent use or for payment upon termination, death, or retirement. Agency policy limits yearly payouts to the total accumulation in the severance fund in any one year. However, a liability has been recorded in the statement of net position representing the noncurrent portion of compensated absences since it is considered probable that these payments will be made. This liability has been computed based on rates of pay in effect at June 30, 2020. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Education Instruction Fund.

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

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

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

*Deferred Inflows of Resources* – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)**

Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of receivables not collected within sixty days after year-end. Deferred inflows of resources in the statement of net position consists of the unamortized portion of the net difference between projected and actual earnings on the pension and OPEB plan investments, changes in proportion and differences between Agency contributions and proportionate share of contributions for pensions and OPEB, and changes of assumptions or other inputs for the pension and OPEB plans.

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

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

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

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

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

*Unassigned* – All amounts not included in the preceding classifications.

**Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2020, the Agency's expenditures/expenses did not exceed the approved budget.

**Use of Estimates in Preparing Financial Statements**

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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The Agency's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**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.

**AEA6 Foundation**

Cash and investments of the AEA6 Foundation component unit are stated at fair value are summarized as follows as of December 31, 2019:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money Market Funds	\$ 94,494	\$ 94,494	\$ -
Mutual Funds	124,235	139,396	15,161
Unit Trusts	510,957	502,257	(8,700)
Total	<u>\$ 729,686</u>	<u>\$ 736,147</u>	<u>\$ 6,461</u>

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

Interest Income	\$ 78,018
Net Unrealized Loss	(12,661)
Total	<u>\$ 65,357</u>

The AEA6 Foundation uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant observable inputs. Level 3 inputs are significant unobservable inputs.



**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

**AEA6 Foundation (Continued)**

The recurring fair value measurement for the above investments was determined using the last reported sales price at current exchange rates (Level 1 inputs).

**NOTE 3 CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Governmental Activities:				
Capital Assets Not Being Depreciated/Amortized:				
Land	\$ 1,270,198	\$ -	\$ -	\$ 1,270,198
Capital Assets Being Depreciated/Amortized:				
Buildings and improvements	16,138,993	572,797	617,916	16,093,874
Furniture and Equipment	2,875,749	257,672	466,926	2,666,495
Library Books and Films	3,367,490	135,704	282,641	3,220,553
Total Assets Being Depreciated/Amortized	22,382,232	966,173	1,367,483	21,980,922
Less Accumulated Depreciation/ Amortization for:				
Buildings	6,996,115	380,238	259,973	7,116,380
Furniture and Equipment	2,067,102	206,245	445,684	1,827,663
Library Books and Films	2,980,188	167,133	282,641	2,864,680
Total Accumulated Depreciation/Amortization	12,043,405	753,616	988,298	11,808,723
Total Capital Assets, Being Depreciated, Net	10,338,827	212,557	379,185	10,172,199
Governmental Activities Capital Assets, Net	<u>\$ 11,609,025</u>	<u>\$ 212,557</u>	<u>\$ 379,185</u>	<u>\$ 11,442,397</u>

**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

Depreciation/amortization expense was charged to the following functions:

Governmental Activities		
Instruction	\$	7,185
Student Support Services		20,046
Instructional Staff Support Services		177,453
General Administration		30,914
Business Administration		900
Plant Operations and Maintenance		20,439
Central and Other Support Services		72,369
Unallocated		424,310
	<u>\$</u>	<u>753,616</u>

**NOTE 4 DUE FROM AND DUE TO OTHER FUNDS**

The detail of interfund receivables and payables at June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Education Instruction	\$ 283,596
Internal Service	General	231,886
Internal Service	Nonmajor	13,380
Internal Service	Special Education Instruction	49,611
		<u>\$ 578,473</u>

The Special Revenue – Special Education Instruction interfund payable to the General Fund is to repay special education billings not received prior to the end of the current year. The Internal Service interfund receivables are related to self-funded insurance premiums withheld from employee paychecks that were not remitted to the internal service fund as of year-end.

**NOTE 5 INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Nonmajor Funds - Debt Service	General Fund	\$ 496,283
Nonmajor Funds - Debt Service	Special Education Instruction	1,490
Nonmajor Funds - Capital Projects	General Fund	349,053
Nonmajor Funds - Debt Service	Nonmajor Funds - Juvenile Home	5,843
		<u>\$ 852,669</u>

Transfers generally move revenue from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers pertained to expenditures for capital projects throughout the year as well as payment of principal and interest of a loan for the purchase of the administrative building.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 LONG-TERM LIABILITIES**

A summary of changes in certain long-term liabilities for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Certificates of Participation	\$ 5,507,485	\$ -	\$ 330,496	\$ 5,176,989	\$ 339,188
Capital Lease	64,090	140,223	26,469	177,844	40,203
Compensated Absences	329,956	352,205	329,956	352,205	352,205
Net Pension Liability	27,428,718	-	823,395	26,605,323	-
Total OPEB Liability	1,769,687	988,487	-	2,758,174	132,423
Total	<u>\$ 35,099,936</u>	<u>\$ 1,480,915</u>	<u>\$ 1,510,316</u>	<u>\$ 35,070,535</u>	<u>\$ 864,019</u>

**Certificates of Participation**

The Agency sold certificates of participation for land and facilities for a total of \$6,082,240 on January 10, 2017. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over a period of 16 years with an interest rate of 2.63% per annum and the Agency has an option to prepay. The following is a schedule by years of future minimum payments required:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 339,188	\$ 136,155	\$ 475,343
2022	348,109	127,234	475,343
2023	357,264	118,079	475,343
2024	366,660	108,683	475,343
2025	376,304	99,040	475,344
2026-2030	2,035,279	341,437	2,376,716
2031-2033	1,354,185	71,846	1,426,031
Total	<u>\$ 5,176,989</u>	<u>\$ 1,002,474</u>	<u>\$ 6,179,463</u>

**Capital Lease**

The Agency entered into an agreement to lease equipment. The agreement is for a period of five years at a 0% interest rate. During the year ended June 30, 2020, the Agency entered into an agreement to lease equipment. The agreement is for a period of five years with imputed interest at 2.63%. The following is a schedule by year of future minimum lease payments required:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 43,283
2022	43,283
2023	43,283
2024	41,073
2025	15,012
Total Minimum Lease Payments	<u>\$ 185,934</u>

Payments under these agreements for the year ended June 30, 2020 totaled \$28,272.

**CENTRAL RIVERS AREA EDUCATION AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 OPERATING LEASES**

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

Total rental expenditures for the year ended June 30, 2020 for all operating leases, except those with terms of a month or less that were not renewed, were \$26,902.

**NOTE 8 PENSION PLAN**

**Plan Description**

IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District 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 PO Box 9117, Des Moines, IA 50306-9117 or at [www.ipers.com](http://www.ipers.com).

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

**Pension Benefits**

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the members 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 before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 PENSION PLAN (CONTINUED)**

**Pension Benefits (Continued)**

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

**Disability and Death Benefits**

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

**Contributions**

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to one percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and the 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 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Agency contributed 9.44% of covered payroll for a total rate of 15.73%.

The Agency's contributions to IPERS for the year-end June 30, 2020 totaled \$3,214,620.

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

At June 30, 2020, the Agency's liability for its proportionate share of the net pension liability totaled \$26,605,323. The net pension liability was measured as of June 30, 2019, 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, 2019, the Agency's collective proportion was 0.456387%, which is an increase of 0.022817 from its proportion measured as of June 30, 2018.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 PENSION PLAN (CONTINUED)**

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)**

For the year ended June 30, 2020, the Agency recognized pension expense of \$3,537,344. At June 30, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 73,757	\$ 956,589
Changes of Assumptions	2,849,811	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	2,998,101
Changes in Proportion and Differences Between Agency Contributions and Proportionate Share of Contributions	1,086,596	1,461,701
Agency Contributions Subsequent to the Measurement Date	<u>3,214,620</u>	<u>-</u>
Total	<u>\$ 7,224,784</u>	<u>\$ 5,416,391</u>

The \$3,214,620 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 215,750
2022	(989,571)
2023	(437,847)
2024	(258,195)
2025	63,636
Total	<u>\$ (1,406,227)</u>

There were no nonemployer contributing entities at IPERS.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 PENSION PLAN (CONTINUED)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Rate of Inflation (effective June 30, 2017)	2.60% per annum
Rates of Salary Increases (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-Term Investment Rate of Return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation.
Wage Growth (effective June 30, 2017)	3.25% per annum based on 2.6% inflation assumption and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	22.0 %	5.60 %
International Equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0 %</u>	

**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 PENSION PLAN (CONTINUED)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.0%. 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, IPERS' 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 rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.0%, 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% lower (6.0%) or 1% higher (8.0%) than the current rate.

	1% Decrease 6.0%	Discount Rate 7.0%	1% Increase 8.0%
Agency's Proportionate Share of the Net Pension Liability	\$ 47,242,466	\$ 26,605,323	\$ 9,295,115

**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 [www.ipers.org](http://www.ipers.org).

**Payables to the Pension Plan**

At June 30, 2020, the Agency reported payables to IPERS of \$455,430 for legally required Agency contributions.

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

**Plan Description and Benefits Provided**

The Agency operates a single-employer health benefit plan which provided medical and prescription drug benefits for employees, retirees and their spouses. There are 468 active and 26 retired members in the plan. Retired participants must be age 55 or older at retirement. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The medical and prescription drug coverage is provided through a fully 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.



**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**Total OPEB Liability**

The Agency's total OPEB liability of \$2,758,174 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age service actuarial cost method, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2020)	2.50% per annum
Discount Rate (effective June 30, 2030)	2.45%, compounded annually, including inflation.
Healthcare Cost Trend (effective June 30, 2020)	6.40% per annum

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Discount Rate** – The discount rate used to measure the total OPEB liability was 2.45% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA as of the measurement date.

Mortality rates are from the RP2014 Annuity Mortality Table, applied on a gender-specific basis.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS(OPEB) (CONTINUED)**

**Changes in the Total Liability**

	Total OPEB Liability
Total OPEB Liability Beginning of Year	\$ 1,769,687
Changes for the Year:	
Service Cost	123,844
Interest on Total Liability	67,976
Differences Between Expected and Actual Experience	845,943
Changes of Assumptions	83,147
Benefit Payments	(132,423)
Balance - June 30, 2020	\$ 2,758,174

**Sensitivity of the Agency's Total OPEB Liability to Changes in the Discount Rate** –

The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.45%) or 1% higher (3.45%) than the current discount rate.

	1% Decrease (1.45%)	Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB Liability	\$ 2,951,036	\$ 2,758,174	\$ 2,574,562

**Sensitivity of the Agency's Total OPEB Liability to Changes in the Healthcare Cost**

**Trend Rates** – The following presents the total OPEB liability of the Agency as what the Agency's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.40%) or 1% higher (7.40%) than the current healthcare cost trend rates.

	1% Decrease (5.40%)	Health Cost Trend Rate (6.40%)	1% Increase (7.40%)
Total OPEB Liability	\$ 2,442,927	\$ 2,758,174	\$ 3,132,647

**OPEB Expense and Deferred Outflows of Resources Related to OPEB** – For the year ended June 30, 2020, the Agency recognized OPEB expense of \$281,430. At June 30, 2020, the Agency reported deferred inflows and outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 749,594	\$ (170,403)
Changes of Assumptions	73,677	-
Total	\$ 823,271	\$ (170,403)

**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS(OPEB) (CONTINUED)**

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 89,610
2022	89,610
2023	89,610
2024	89,610
2025	89,610
Thereafter	204,818
Total	<u>\$ 652,868</u>

**NOTE 10 RISK MANAGEMENT**

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

The Agency is involved in certain other legal proceedings and disputes considered by management to be ordinary and incidental or which have no foundation in fact. Management believes that valid defenses exist as to all such litigation and disputes and is of the opinion that these will not have a material effect on the Agency's financial statements.

**NOTE 11 EMPLOYEE DENTAL AND HEALTH PLAN**

The Agency currently sponsors a self-funded dental and health plan. The Agency contracts with an insurance company to administer the plan. The cost of maintaining the plan are supported by premium contributions made by the employer, employee, retirees and COBRA participants.

The following is a summary of the claims and activity for the year ended June 30, 2020:

	<u>2020</u>	<u>2019</u>
Estimated Claims Incurred but not Reported -		
Beginning of year	\$ 589,235	\$ -
Claims Incurred and Reported and Estimated Cost		
Incurred but not Reported	4,384,223	4,209,323
Claims Paid	(4,324,746)	(3,620,088)
Estimated Claims Incurred but not Reported - End of year	<u>\$ 648,712</u>	<u>\$ 589,235</u>

**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 12 CATEGORICAL FUNDING**

The Agency's restricted fund balance for categorical funding as of June 30, 2020 is comprised of the following programs:

Program	Amount
Education Quality, Professional Development for Model Core Curriculum	\$ 152,232
Teacher Leadership Technical Assistance	214,595
Teacher Salary Supplement	12,652
Youth Mental Health	25,468
	\$ 404,947

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

**Employee Benefits**

Employees accumulate sick pay based upon years of service. Unused sick days may be carried forward until needed by the employee, up to a maximum amount established for each employee group. Upon termination, retirement or death, unused days are forfeited; therefore, no accrual is required.

**NOTE 14 UNCERTAINTIES**

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Agency, COVID-19 may impact various parts of its 2021 operations and financial results. Management believes the Agency is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CENTRAL RIVERS AREA EDUCATION AGENCY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES  
BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2020**

	Actual	Budgeted Amounts		Variance
		Original	Final	
<b>REVENUES</b>				
Local Sources	\$ 19,465,592	\$ 19,155,420	\$ 20,024,969	\$ (559,377)
State Sources	18,688,587	20,194,221	18,565,454	123,133
Federal Sources	16,725,313	17,279,700	16,813,024	(87,711)
Total Revenues	54,879,492	56,629,341	55,403,447	(523,955)
<b>EXPENDITURES</b>				
Current:				
Instruction	7,796,971	8,330,600	8,356,947	(559,976)
Student Support Services	23,346,087	24,128,700	23,415,417	(69,330)
Instructional Staff Support Services	12,205,329	13,367,900	12,909,696	(704,367)
General Administration	1,757,624	2,014,100	1,934,949	(177,325)
Business Administration	5,845,217	5,835,000	6,492,286	(647,069)
Plant Operations and Maintenance	1,440,081	1,940,100	1,533,197	(93,116)
Central and Other Support Services	320,213	418,500	445,140	(124,927)
Noninstructional Programs	133,517	171,600	136,969	(3,452)
Facilities Acquisition and Construction	349,053	109,500	476,064	(127,011)
Debt Service	503,616	475,343	548,649	(45,033)
Total Expenditures	53,697,708	56,791,343	56,249,314	(2,551,606)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,181,784	(162,002)	(845,867)	2,027,651
<b>OTHER FINANCING SOURCES (USES), NET</b>	149,542	-	-	(149,542)
<b>CHANGE IN FUND BALANCES</b>	1,331,326	(162,002)	(845,867)	2,177,193
<b>FUND BALANCES</b>				
Beginning of Year	10,148,594	9,020,321	10,075,660	72,934
End of Year	\$ 11,479,920	\$ 8,858,319	\$ 9,229,793	\$ 2,250,127

See accompanying Note to Required Supplementary Information – Budgetary Reporting.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY REPORTING  
JUNE 30, 2020**

**NOTE 1 PURPOSE OF SCHEDULE**

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

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

For the year ended June 30, 2020, the Agency's expenditures/expenses did not exceed the approved budget.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Agency's Proportion of the Net Pension Liability	0.456387%	0.433570%	0.441359%	0.492656%	0.490991%	0.499082%
Agency's Proportionate Share of the Net Pension Liability	\$ 26,605,323	\$ 27,428,718	\$ 29,137,192	\$ 30,723,279	\$ 24,409,344	\$ 20,198,261
Agency's Covered Payroll	\$ 34,965,495	\$ 32,587,685	\$ 32,646,000	\$ 35,038,000	\$ 33,853,000	\$ 31,712,000
Agency's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	76.09%	84.17%	89.25%	87.69%	72.10%	63.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

*\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.*

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



**CENTRAL RIVERS AREA EDUCATION AGENCY  
SCHEDULE OF THE AGENCY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
JUNE 30, 2020**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily Required Contribution	\$ 3,214,620	\$ 3,300,798	\$ 2,910,080	\$ 2,915,709	\$ 3,128,852	\$ 3,023,103	\$ 2,831,849	\$ 3,164,787	\$ 3,570,083	\$ 3,143,398
Contributions in Relation to the Statutorily Required Contribution	(3,214,620)	(3,300,798)	(2,910,080)	(2,915,709)	(3,128,852)	(3,023,103)	(2,831,849)	(3,164,787)	(3,570,083)	(3,143,398)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Agency's Covered Payroll	\$ 34,058,338	\$ 34,965,495	\$ 32,587,685	\$ 32,646,000	\$ 35,038,000	\$ 33,853,000	\$ 31,712,000	\$ 36,503,000	\$ 44,239,000	\$ 45,229,000
Contributions as a Percentage of Covered Payroll	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying Notes to Required Supplementary Information – Pension Liability.

**CENTRAL RIVERS AREA EDUCATION AGENCY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY**  
**JUNE 30, 2020**

**NOTE 1 CHANGES OF BENEFIT TERMS**

There are no significant changes in benefit terms.

**NOTE 2 CHANGES OF ASSUMPTIONS**

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

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

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

- Decreased the inflation assumption from 3.00% to 2.65%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
SCHEDULE OF CHANGES IN THE AGENCY'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
JUNE 30, 2020**

	2020	2019	2018
<b>TOTAL OPEB LIABILITY</b>			
Service Cost	\$ 123,844	\$ 123,844	\$ 123,866
Interest	67,976	68,272	67,440
Differences Between Expected and Actual Experience	845,943	-	-
Changes in Assumptions and Other Inputs	83,147	(106,602)	(104,144)
Benefit Payments	(132,423)	(55,061)	(72,237)
Net Change in Total OPEB Liability	988,487	30,453	14,925
Total OPEB Liability - Beginning of Year	1,769,687	1,739,234	1,724,309
Total OPEB Liability - End of Year	<u>2,758,174</u>	<u>1,769,687</u>	<u>1,739,234</u>
<b>AGENCY'S COVERED EMPLOYEE PAYROLL</b>	<u>\$ 34,370,929</u>	<u>\$ 32,436,226</u>	<u>\$ 32,222,492</u>
<b>TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL</b>	8.02%	5.46%	5.40%

**Notes to Schedule:**

Changes of assumptions and other inputs – The discount rate as of the measurement date has been updated to use the Fidelity 20-Year Municipal GO AA Index. The prior full valuation used a discount rate of 3.72%. The current full valuation uses a discount rate of 2.45%. No assets were accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Note: GASB Statement No. 75 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.

## **SUPPLEMENTARY INFORMATION**

**CENTRAL RIVERS AREA EDUCATION AGENCY  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2020**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Cash, Cash Equivalents, and Investments	\$ 636,413	\$ 1,290,840	\$ 1,234,263	\$ 692,990
Due from Other Governments	161,770	138,860	161,770	138,860
Total Assets	<u>\$ 798,183</u>	<u>\$ 1,429,700</u>	<u>\$ 1,396,033</u>	<u>\$ 831,850</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 294,288	\$ 1,002,509	\$ 1,090,577	\$ 206,220
Due to Other Governments	345,884	964,147	684,401	625,630
Deposit Held in Custody for Others	158,011	39	158,050	-
Total Liabilities	<u>\$ 798,183</u>	<u>\$ 1,966,695</u>	<u>\$ 1,933,028</u>	<u>\$ 831,850</u>

**CENTRAL RIVERS AREA EDUCATION AGENCY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2020**

	Special Revenue Juvenile Home	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash, Cash Equivalents, and Pooled Investments	\$ 172,794	\$ 59,623	\$ -	\$ 232,417
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 77,215	\$ 59,623	\$ -	\$ 136,838
Salaries and Benefits Payable	82,199	-	-	82,199
Due to Other Funds	13,380	-	-	13,380
Total Liabilities	172,794	59,623	-	232,417
<b>FUND BALANCES</b>				
Unassigned	-	-	-	-
Total Liabilities and Fund Balances	\$ 172,794	\$ 59,623	\$ -	\$ 232,417

**CENTRAL RIVERS AREA EDUCATION AGENCY  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2020**

	Special Revenue			Total Nonmajor Governmental Funds
	Juvenile Home	Capital Projects	Debt Service	
<b>REVENUES</b>				
Local Sources	\$ 396	\$ -	\$ -	\$ 396
State Sources	1,512,021	-	-	1,512,021
Total Revenues	<u>1,512,417</u>	<u>-</u>	<u>-</u>	<u>1,512,417</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	1,357,470	-	-	1,357,470
Instructional Staff Support Services	1,662	-	-	1,662
General Administration	117,815	-	-	117,815
Business Administration	11,893	-	-	11,893
Plant Operations and Maintenance	17,734	-	-	17,734
Facilities Acquisition and Construction	-	349,053	-	349,053
Debt Service	-	-	503,616	503,616
Total Expenditures	<u>1,506,574</u>	<u>349,053</u>	<u>503,616</u>	<u>2,359,243</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	5,843	(349,053)	(503,616)	(846,826)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	349,053	503,616	852,669
Transfers Out	(5,843)	-	-	(5,843)
Total Other Financing Sources (Uses)	<u>(5,843)</u>	<u>349,053</u>	<u>503,616</u>	<u>846,826</u>
<b>CHANGE IN FUND BALANCES</b>	-	-	-	-
<b>FUND BALANCES</b>				
Beginning of Year	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CENTRAL RIVERS AREA EDUCATION AGENCY  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
LAST TEN YEARS**

	Modified Accrual Basis									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>REVENUES</b>										
Local Sources	\$ 19,465,592	\$ 19,469,477	\$ 18,755,825	\$ 19,258,789	\$ 21,284,088	\$ 21,689,028	\$ 20,740,780	\$ 24,834,154	\$ 37,051,670	\$ 37,475,083
State Sources	18,688,587	18,079,109	17,955,808	17,386,811	17,566,557	17,380,955	16,646,593	15,761,737	16,387,663	18,729,978
Intermediate Sources	-	-	-	116,727	20,414	219,526	113,644	-	-	-
Federal Sources	16,725,313	16,755,199	16,505,351	15,828,336	15,936,007	15,871,147	15,979,439	16,788,669	17,294,461	18,945,236
<b>Total Revenues</b>	<b>\$ 54,879,492</b>	<b>\$ 54,303,785</b>	<b>\$ 53,216,984</b>	<b>\$ 52,590,663</b>	<b>\$ 54,807,066</b>	<b>\$ 55,160,656</b>	<b>\$ 53,480,456</b>	<b>\$ 57,384,560</b>	<b>\$ 70,733,794</b>	<b>\$ 75,150,297</b>
<b>EXPENDITURES</b>										
Current:										
Instruction	\$ 7,796,971	\$ 7,986,177	\$ 7,828,335	\$ 7,981,919	\$ 10,514,978	\$ 10,112,515	\$ 10,252,644	\$ 13,417,645	\$ 25,625,487	\$ 26,315,571
Student Support Services	23,346,087	22,701,374	22,647,966	22,238,456	19,146,981	18,375,196	17,710,275	16,982,192	17,689,241	17,944,382
Instructional Staff Support Services	12,205,329	11,903,601	11,370,247	11,029,013	11,145,418	10,888,012	11,131,440	11,127,795	12,284,435	12,615,919
General Administration	1,757,624	1,748,092	2,190,486	4,732,974	5,204,754	5,998,207	5,618,383	5,590,348	6,210,807	6,298,209
Business Administration	5,845,217	5,899,723	5,178,344	3,513,279	3,773,644	3,067,516	3,256,367	3,349,700	3,241,039	2,967,959
Plant Operations and Maintenance	1,440,081	1,690,013	1,593,445	1,441,003	1,655,981	1,729,910	1,737,799	1,939,693	2,112,532	2,109,525
Central and Other Support Services	320,213	469,281	392,610	496,666	47,982	219,607	134,235	916,387	1,485,175	1,543,050
Noninstructional Programs	133,517	162,604	174,017	167,302	186,227	189,078	159,800	137,378	149,530	138,675
Facilities Acquisition and Construction	349,053	201,358	345,049	5,936,712	425,026	532,552	234,792	250,259	552,704	270,015
Debt Service	503,616	477,553	475,343	74,873	-	-	130,063	129,743	134,242	389,002
<b>Total Expenditures</b>	<b>\$ 53,697,708</b>	<b>\$ 53,239,776</b>	<b>\$ 52,195,842</b>	<b>\$ 57,612,197</b>	<b>\$ 52,100,991</b>	<b>\$ 51,112,593</b>	<b>\$ 50,365,798</b>	<b>\$ 53,841,140</b>	<b>\$ 69,485,192</b>	<b>\$ 70,592,307</b>



**CENTRAL RIVERS AREA EDUCATION AGENCY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Education</b>				
Iowa Department of Education:				
Special Education Cluster (IDEA) (Major):				
Special Education Grants to States:				
Part B - Section 611 LEA Flow Through	84.027	192007	\$ 3,038,635	\$ 3,038,635
Part B - Section 611 Service to Handicapped	84.027	192007	-	11,641,391
Part B - Section 611 Parent Educator	84.027	20FEC-02	-	134,932
SDI Grant Revenue	84.027	192007	-	44,830
Project Manager	84.027	192007	-	113,738
AEA DE Leadership Work Team	84.027	192007	-	21,559
Total Special Education - Grants to States			3,038,635	14,995,085
Special Education Preschool Grants:				
Part B - Section 619	84.173	20619-07	-	433,243
EC PBIS Professional Learning	84.173	022719	-	600
			-	433,843
Total Special Education Cluster (IDEA) (Major)			3,038,635	15,428,928
Special Education - Grants for Infants and Families:				
Part C - Infant and Toddler	84.181	C1920-07	-	376,718
English Language Acquisition State Grants	84.365	19ELA-02	-	413,818
Title IV - State Assessment	84.369	1920-07	-	250,569
Title I - ESSA Accountability	84.010	1920-07	-	128,449
Title IV - Assessment Support	84.369	1920-07	-	50,708
Total U.S. Department of Education			3,038,635	16,649,190
Total Federal Expenditures			\$ 3,038,635	\$ 16,649,190
Total 84.369			-	301,277

**CENTRAL RIVERS AREA EDUCATION AGENCY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2020**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Central Rivers Area Education Agency (Agency) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in financial position or cash flows of the Agency.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 INDIRECT COST RATE**

The Agency has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Central Rivers Area Education Agency  
Cedar Falls, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Central Rivers Area Education Agency (Agency) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 29, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we 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 the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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, 2020 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.

### **The Agency's Response to Findings**

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

### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Cedar Rapids, Iowa  
January 29, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Central Rivers Area Education Agency  
Cedar Falls, Iowa

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

We have audited Central Rivers Area Education Agency's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2020. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Agency'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Agency'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 the Agency's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Agency 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, 2020.

**Report on Internal Control Over Compliance**

Management of the Agency 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 the Agency'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 the Uniform Guidance, 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 the Agency's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Cedar Rapids, Iowa  
January 29, 2021

**CENTRAL RIVERS AREA EDUCATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

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***Part I – Summary of the Independent Auditors’ Results***

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*Financial Statements*

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes       X  no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes       X  none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes       X  no

*Federal Awards*

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes       X  no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes       X  none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) \_\_\_\_\_ yes       X  no

***Identification of Major Federal Programs***

**CFDA Number(s)**

84.027 & 84.173

**Name of Federal Program or Cluster**

Special Education Cluster (IDEA)

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

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes       X  no

**CENTRAL RIVERS AREA EDUCATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

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*Part II – Findings Related to the Financial Statement*

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Our audit did not identify any matters required to be reported.



**CENTRAL RIVERS AREA EDUCATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

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

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Our audit did not identify any matters required to be reported in accordance with 2 CFR 200.516(a).

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

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- IV-A-2020 Certified Budget – Expenditures for the year ended June 30, 2020 did not exceed the certified budget amounts during the year per Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”
- IV-B-2020 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-2020 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-2020 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-2020 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-2020 Board Minutes – We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-G-2020 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 District’s investment policy were noted.
- IV-H-2020 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-I-2020 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

**CENTRAL RIVERS AREA EDUCATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

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*Part IV – Other Findings Related to Required Statutory Reporting (Continued)*

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IV-J-2020 Deficit Balance – The Agency’s governmental activities had a deficit net position of \$7,859,848 as of June 30, 2020.

Recommendation – The Agency should investigate alternatives to eliminate this deficit to return the governmental activities to a sound financial position.

Response – The deficit is the result of recognizing the Agency’s net pension liability and net OPEB liability.

Conclusion – Response accepted.