

**PRAIRIE LAKES
AREA EDUCATION AGENCY**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2020

CONTENTS

OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT		2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS		5-11
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Position	A	12-13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet –		
Governmental Funds to the Statement of Net Position	D	16
Statement of Revenues, Expenditures and Changes in		
Fund Balances – Governmental Funds	E	17
Reconciliation of the Statement of Revenues,		
Expenditures and Changes in Fund Balances –		
Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Position	G	19
Statement of Revenues, Expenses and Changes in		
Fund Net Position	H	20
Statement of Cash Flows	I	21
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Fund	J	22
Notes to Financial Statements		23-41
Required Supplementary Information:		
Schedule of Revenues, Expenditures/Expenses and		
Changes in Balances – Budget and Actual –		
All Governmental Funds		42
Notes to Required Supplementary Information – Budgetary Reporting		43
Schedule of the Agency's Proportionate Share		
of the Net Pension Liability		44
Schedule of Agency Contributions		45
Notes to Required Supplementary Information – Pension Liability		46
Schedule of Changes in the Agency's Total OPEB Liability,		
Related Ratios and Notes		47

CONTENTS
(Continued)

	<u>Schedule</u>	
Supplementary Information:		
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds	1	48
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	2	49
Schedule of Expenditures of Federal Awards	3	50-51
<hr/>		
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>		52-53
<hr/>		
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE		54-55
<hr/>		
SCHEDULE OF FINDINGS AND QUESTIONED COSTS		56-58
<hr/>		

PRAIRIE LAKES AREA EDUCATION AGENCY

OFFICIALS

<i>NAME</i>	<i>TITLE</i>	<i>TERM EXPIRES</i>
Board of Directors		
Sue Brown	President	2021
Pat Brown	Vice President	2021
Gary Astor	Member	2021
Janice Harbaugh	Member	2021
Dawn Crane	Member	2023
Todd Lundgren	Member	2023
Christina Allen	Member	2023
Agency		
Jeff D. Herzberg	Chief Administrator	2020
Michelle R. Dowd	Chief Financial Officer/ Board Secretary and Board Treasurer	2020



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

Independent Auditor's Report

To the Board of Directors of
Prairie Lakes Area Education Agency
Fort Dodge, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Prairie Lakes Area Education Agency as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements 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 U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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 business type activities, each major fund and the aggregate remaining fund information of Prairie Lakes Area Education Agency as of June 30, 2020, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Agency's Proportionate Share of the Net Pension Liability, the Schedule of Agency Contributions and the Schedule of Changes in the Agency's Total OPEB Liability, Related Ratios and Notes on pages 5 through 11 and 42 through 47 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prairie Lakes Area Education Agency's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2020 on our consideration of Prairie Lakes Area Education Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Prairie Lakes Area Education Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Prairie Lakes Area Education Agency's internal control over financial reporting and compliance.

Schnur & Company, LLP

Fort Dodge, Iowa
November 12, 2020

PRAIRIE LAKES AREA EDUCATION AGENCY

PRAIRIE LAKES AREA EDUCATION AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Prairie Lakes 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 revenues increased from \$24,516,134 in fiscal year 2019 to \$24,756,358 in fiscal year 2020. The increase in General Fund revenues was attributable to an increase in state revenue in fiscal year 2020.
- General Fund expenditures increased from \$23,487,749 in fiscal year 2019 to \$24,827,925 in fiscal year 2020. The increase in expenditures was due primarily to the agency being fully staffed in fiscal year 2020.
- The Agency's General Fund balance decreased from \$4,438,908 at the end of fiscal year 2019 to \$4,367,341 at the end of fiscal year 2020, a 1.61% decrease. One reason the General Fund balance decreased is the Agency was able to fill several open positions in hard-to-fill areas of service.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Prairie Lakes Area Education Agency as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide financial statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, the Agency's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the Agency's Total OPEB Liability, Related Ratios and Notes.
- Supplementary Information includes the Schedule of Expenditures of Federal Awards which provides details of various federal programs benefiting the Agency.

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT (Continued)

Reporting the Agency's Financial Activities

Government-wide Financial Statements

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

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

In the government-wide financial statements, the Agency's activities consist of the following:

- *Governmental activities:* Most of the Agency's basic services are included here, such as regular and special education instruction, student and instructional staff support services and administration. Local school districts, federal and state aid finance most of these activities.

Fund Financial Statements

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

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

The Agency has three kinds of funds:

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT (Continued)

Reporting the Agency's Financial Activities (continued)

Fund Financial Statements (continued)

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

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

- Fiduciary funds are funds through which the Agency administers and accounts for certain federal and/or state grants as a fiscal agent. The Agency is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The Agency excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of financial position. Prairie Lakes Area Education Agency's net position at the end of fiscal year 2020 totaled approximately (\$3.7) million. This compared to approximately (\$3.4) million at the end of fiscal year 2019. The following analysis focuses on the net position and changes in net position:

	Condensed Statement of Net Position (Expressed in Thousands) Governmental Activities June 30	
	2020	2019
Current and other assets	\$ 8,008	\$ 7,457
Capital assets	4,776	4,604
Total assets	12,784	12,061
Deferred outflows of resources	2,868	3,616
Long-term liabilities	12,645	14,269
Other liabilities	3,581	2,970
Total liabilities	16,226	17,239
Deferred inflows of resources	3,117	1,811
Net position:		
Net investment in capital assets	4,776	4,604
Restricted	378	410
Unrestricted	(8,845)	(8,387)
Total net position	\$ (3,691)	\$ (3,373)

The Agency's total net position decreased by 9.4%, or approximately \$318,000 from fiscal year 2019. The decrease occurred as a result of the net change in pension related deferred outflows, net pension liability and pension related deferred inflows, during the year ended June 30, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Changes in Net Position	
	(Expressed in Thousands)	
	Governmental Activities	
	Year Ended June 30	
	2020	2019
Revenues:		
Program revenues:		
Charges for service	\$ 1,857	\$ 1,991
Operating grants and contributions	11,118	11,040
General revenues:		
Property tax	6,567	6,487
State foundation aid	6,413	6,241
Total revenues	25,955	25,759
Expenditures/Expenses:		
Instruction	992	1,059
Student support services	16,872	15,850
Instructional staff support services	3,723	3,518
General administration	597	642
Business administration	1,630	1,847
Plant operations and maintenance	744	748
Central and other support services	1,609	1,334
Non-instructional programs	106	122
Total expenses	26,273	25,120
Change in net position	(318)	639
Net position beginning of year	(3,373)	(4,012)
Net position end of year	\$ (3,691)	\$ (3,373)

Property tax and state foundation aid account for 50% of the total revenue while operating grants and contributions from local, state and federal sources and charges for service account for 50% of the total revenue. The Agency's expenses primarily relate to instruction and student and instructional staff support services, which account for 82.2% of the total expenses.

Revenues for governmental activities were \$25,954,381 and expenses were \$26,272,969. Net position decreased \$318,588.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIVIDUAL FUND ANALYSIS

As previously noted, Prairie Lakes 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 \$4,367,341, which were \$71,567 below last year's ending fund balances of \$4,438,908. The primary reason for the decrease in combined fund balances at the end of fiscal year 2020 was the Agency's ability to fill several open positions in hard-to-fill areas of service.

Governmental Fund Highlights

- The Agency's decreasing General Fund financial position is the product of many factors, including the Agency's ability to fill several open positions in hard-to-fill areas of service.
- The General Fund balance decreased from \$4,438,908 to \$4,367,341 due to being fully staffed which resulted in additional salary and benefit expenditures.
- The Special Revenue, Special Education Instruction Fund revenues and expenditures remained consistent when compared to the prior year, \$985,083 in fiscal year 2019, versus \$937,111 in fiscal year 2020. The ending fund balance continues to be \$0.

Propriety Fund Highlights

- The Partial Self-Funded Health Insurance Fund's net position was \$58,515 at June 30, 2020. The Agency overfunded the program in 2020 and claims paid out were \$10,374 less than funding.

BUDGETARY HIGHLIGHTS

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

The Agency's total revenues were \$354,384 less than total budgeted revenues, a variance of less than 1.35%. Total expenditures were \$234,676 less than budgeted, a variance of 0.89%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the Agency had invested approximately \$4.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers and audio-visual equipment. This is a net increase of approximately \$172,000 over last year. This increase was primarily due to the purchase of new computers and technology for staff, and a new van for the media department.

Prairie Lakes Area Education Agency had depreciation expense of \$292,866 in fiscal year 2020. Detailed information about capital assets is presented in Note 3 to the financial statements.

Long-Term Debt

At June 30, 2020, the Agency had no long-term debt outstanding

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:

- Stable enrollment is critical in maintaining a sound financial position. The agency has experienced a decrease in the number of students being served by its programs in the past year. A significant decrease in enrollment is expected in FY 2021.
- State and federal funding levels continue to be an area of concern for the AEA's throughout the state. For FY 2021, the supplemental state aid was set by legislature at 2.06% and they did not take action for setting the rate for FY 2022 as required by law. The statewide AEA system also received a targeted \$22.5 million reduction in FY 2021, which equates to a funding cut of \$1,126,146 for the Agency. At this time the Agency does not know if this reduction will continue for the 2022 fiscal year.
- The Agency has been notified to expect little or no increase in Federal IDEA funding for the immediate future.

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 Prairie Lakes Area Education Agency, 1235 5th Ave South, Fort Dodge, Iowa 50501.

BASIC FINANCIAL STATEMENTS

PRAIRIE LAKES AREA EDUCATION AGENCY

PRAIRIE LAKES AREA EDUCATION AGENCY

Exhibit A

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities
	<u> </u>
Assets	
Cash	\$ 5,543,142
Accounts receivable	196,735
Due from other governments	2,236,163
Inventories	31,736
Land	157,212
Capital assets, net of accumulated depreciation	4,618,836
Total assets	<u>12,783,824</u>
 Deferred Outflows of Resources	
Pension related deferred outflows	2,781,735
OPEB related deferred outflows	86,550
	<u>2,868,285</u>
 Liabilities	
Accounts payable	771,187
Salaries and benefits payable	2,663,383
Advances from grantors	147,350
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	28,825
Early retirement obligation	46,970
Portion due or payable after one year:	
Early retirement obligation	66,647
Net pension liability	11,350,941
Total OPEB liability	1,151,254
Total liabilities	<u>16,226,557</u>
 Deferred Inflows of Resources	
Pension related deferred inflows	2,515,651
OPEB related deferred inflows	601,193
	<u>3,116,844</u>

(Continued on next page)

PRAIRIE LAKES AREA EDUCATION AGENCY

**Exhibit A
(Continued)**

**STATEMENT OF NET POSITION
June 30, 2020**

	<u>Governmental Activities</u>
Net Position	
Net investment in capital assets	\$ 4,776,048
Restricted for:	
Categorical funding	78,092
Capital projects	300,000
Unrestricted	<u>(8,845,432)</u>
Total net position	<u><u>\$ (3,691,292)</u></u>

See Notes to Financial Statements.

PRAIRIE LAKES AREA EDUCATION AGENCY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Program Revenues		
	Expenses	Charges for Service	Operating Grants and Contributions
Functions/Programs:			
Governmental Activities:			
Instruction	\$ 992,233	\$ 910,049	\$ 287,974
Student support services	16,871,959	-	9,853,874
Instructional staff support services	3,723,392	628,681	869,858
General administration	596,975	35,000	-
Business administration	1,629,630	30,000	-
Plant operations and maintenance	744,279	-	-
Central and other support services	1,608,692	253,711	105,809
Non-instructional programs	105,809	-	-
Total governmental activities	\$ 26,272,969	\$ 1,857,441	\$ 11,117,515

General Revenues:

Property tax levied for general purposes

State foundation aid

Total general revenues

Change in net position

Net position (deficit) beginning of year

Net position (deficit) end of year

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position	
Governmental Activities	Total
\$ 205,790	\$ 205,790
(7,018,085)	(7,018,085)
(2,224,853)	(2,224,853)
(561,975)	(561,975)
(1,599,630)	(1,599,630)
(744,279)	(744,279)
(1,249,172)	(1,249,172)
(105,809)	(105,809)
(13,298,013)	(13,298,013)
6,566,528	6,566,528
6,412,897	6,412,897
12,979,425	12,979,425
(318,588)	(318,588)
(3,372,704)	(3,372,704)
\$ (3,691,292)	\$ (3,691,292)

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

	<u>Special Revenue</u>			<u>Total</u>
	<u>General</u>	<u>Special Education Instruction</u>	<u>Juvenile Home</u>	
Assets				
Cash	\$ 5,430,118	\$ -	\$ 53,498	\$ 5,483,616
Accounts receivable	196,735	-	-	196,735
Due from other governments	1,784,709	451,454	-	2,236,163
Due from other funds	337,672	-	-	337,672
Inventories	31,736	-	-	31,736
Total assets	\$ 7,780,970	\$ 451,454	\$ 53,498	\$ 8,285,922
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 770,148	\$ -	\$ 28	\$ 770,176
Salaries and benefits payable	2,509,572	113,782	40,029	2,663,383
Advances from grantors	133,909	-	13,441	147,350
Due to other funds	-	337,672	-	337,672
Total liabilities	3,413,629	451,454	53,498	3,918,581
Fund Balances:				
Nonspendable:				
Inventories	31,736	-	-	31,736
Restricted for:				
Categorical funding	78,092	-	-	78,092
Committed for:				
Compensated absences	28,825	-	-	28,825
Early retirement obligation	683,105	-	-	683,105
Capital projects	300,000	-	-	300,000
Unassigned	3,245,583	-	-	3,245,583
Total fund balances	4,367,341	-	-	4,367,341
Total liabilities and fund balances	\$ 7,780,970	\$ 451,454	\$ 53,498	\$ 8,285,922

See Notes to Financial Statements.

**RECONCILIATION OF THE BALANCE SHEET--
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2020**

Total governmental fund balances (page 15)		\$ 4,367,341
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$8,828,925 and the accumulated depreciation is \$4,052,877.		4,776,048
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 2,868,285	
Deferred inflows of resources	<u>(3,116,844)</u>	(248,559)
Long-term liabilities, including early retirement, compensated absences, total OPEB liability and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(12,644,637)
Internal Service Funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position, as follows:		
Current assets	59,526	
Current liabilities	<u>(1,011)</u>	<u>58,515</u>
Net position of governmental activities (page 13)		<u>\$ (3,691,292)</u>

See Notes to Financial Statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES -- GOVERNMENTAL FUNDS
Year Ended June 30, 2020**

	<u>Special Revenue</u>			
	<u>General</u>	<u>Special Education Instruction</u>	<u>Juvenile Home</u>	<u>Total</u>
Revenues:				
Local sources	\$ 7,513,920	\$ 910,049	\$ -	\$ 8,423,969
State sources	8,408,211	27,062	260,912	8,696,185
Federal sources	8,834,227	-	-	8,834,227
Total revenues	24,756,358	937,111	260,912	25,954,381
Expenditures:				
Current:				
Instruction	-	718,508	260,912	979,420
Student support services	16,337,143	218,603	-	16,555,746
Instructional staff support services	3,664,648	-	-	3,664,648
General administration	595,089	-	-	595,089
Business administration	1,853,167	-	-	1,853,167
Plant operations and maintenance	674,238	-	-	674,238
Central and other support services	1,597,831	-	-	1,597,831
Non-instructional programs	105,809	-	-	105,809
Total expenditures	24,827,925	937,111	260,912	26,025,948
Change in fund balances	(71,567)	-	-	(71,567)
Fund balances, beginning of year	4,438,908	-	-	4,438,908
Fund balances, end of year	\$ 4,367,341	\$ -	\$ -	\$ 4,367,341

See Notes to Financial Statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES --
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
Year Ended June 30, 2020

Change in fund balances - Total governmental funds (page 17) \$ (71,567)

*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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 471,514	
Depreciation expense	<u>(292,866)</u>	178,648

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. (7,096)

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 10,374

The current year Agency IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 1,478,224

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

Compensated absences	29,975	
Pension expense	(1,956,804)	
Early retirement	62,203	
OPEB expense	<u>(42,545)</u>	<u>(1,907,171)</u>

Change in net position of governmental activities (page 14) \$ (318,588)

See Notes to Financial Statements.

PRAIRIE LAKES AREA EDUCATION AGENCY

Exhibit G

**STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2020**

	<u>Governmental Activities Partial Self Funding</u>
Current Assets	
Cash	\$ 59,526
Total current assets	<u>59,526</u>
Current Liabilities	
Accounts payable	1,011
Total current liabilities	<u>1,011</u>
Net Position, Unrestricted	<u>\$ 58,515</u>

See Notes to Financial Statements.

PRAIRIE LAKES AREA EDUCATION AGENCY

Exhibit H

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION
PROPRIETARY FUND
June 30, 2020**

	<u>Governmental Activities Partial Self Funding</u>
Operating revenues:	
Charges for service	\$ 240,969
Operating expenses:	
Claims and administration	<u>230,595</u>
Operating income	10,374
Net position beginning of year	<u>48,141</u>
Net position end of year	<u><u>\$ 58,515</u></u>

See Notes to Financial Statements.

PRAIRIE LAKES AREA EDUCATION AGENCY

Exhibit I

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND**

June 30, 2020

	<u>Governmental Activities</u>
	<u>Partial Self Funding</u>
Cash flows from operating activities:	
Cash received from customers	\$ 240,969
Claims and administrative costs paid	<u>(230,263)</u>
Net cash provided by operating activities	10,706
Cash beginning of year	<u>48,820</u>
Cash end of year	<u><u>\$ 59,526</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 10,374
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts payable	<u>332</u>
Net cash provided by operating activities	<u><u>\$ 10,706</u></u>

See Notes to Financial Statements.

PRAIRIE LAKES AREA EDUCATION AGENCY

Exhibit J

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND**

June 30, 2020

Assets

Cash

\$ 77,308

Total assets

77,308

Liabilities

Due to other governments

77,308

Total liabilities

77,308

Net Position

\$ -

See Notes to Financial Statements.

PRAIRIE LAKES AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Prairie Lakes Area Education Agency is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 39 school districts and 11 accreditable non-public schools in a 14-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

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

A. Reporting Entity:

For financial reporting purposes, Prairie Lakes Area Education Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units that meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation:

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

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation 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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued):

Government-wide Financial Statements (continued) – The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 and contributions 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 instead as general revenues.

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

The Agency reports the following major governmental funds:

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

The Special Revenue Fund is used to account for programs where the Agency employs teachers to provide instruction to special education pupils. The actual costs of providing instructional services to the pupils are billed to the individual school districts.

The Agency also reports the following proprietary fund:

The Agency's proprietary fund is the Enterprise, Partial Self-Funded Health Insurance Fund. This fund is used to account for the partial self-funded health insurance activities for the Agency.

The Agency also reports the following fiduciary fund:

The Agency Fund is used to account for assets held by the Agency as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting:

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Cash – Cash includes amounts in demand deposits and money market funds.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment are reported in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the Agency as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	No lower limit
Buildings	\$ 5,000
Building improvements	5,000
Vehicles	5,000
Furniture and equipment	5,000
Library books	Aggregated annual purchases

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Building improvements	20
Vehicles	5
Furniture and equipment	10
Library books	5

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Compensated Absences – Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the Statement of Net Position representing the Agency's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2020. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

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

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

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

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of receivables not collected within 60 days after year end.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Deferred Inflows of Resources (continued) – Deferred inflows of resources in the Statement of Net Position consist of the unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Directors through resolution approved prior to 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.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

F. Subsequent Events

Subsequent events have been evaluated through November 12, 2020, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 2. Cash

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 ensure there will be no loss of public funds.

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash (Continued)

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

Custodial Credit Risk – All invested assets of the Agency involving the use of public funds custodial agreement, as defined in Section 452.10 of the Iowa Code, shall comply with all rules adopted pursuant to Section 452.10C and any replacement section. All custodial agreements shall be in writing and contain a provision that custodial services be provided in accordance with the laws of the state of Iowa.

Note 3. Capital Assets

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 157,212	\$ -	\$ -	\$ 157,212
Total capital assets not being depreciated	157,212	-	-	157,212
Capital assets being depreciated:				
Buildings and improvements	5,524,382	96,281	-	5,620,663
Furniture and equipment	2,008,312	325,913	-	2,334,225
Vehicles	134,204	28,671	40,037	122,838
Library books and films	593,722	20,649	20,384	593,987
Total capital assets being depreciated	8,260,620	471,514	60,421	8,671,713
Less accumulated depreciation for:				
Buildings and improvements	1,952,306	135,335	-	2,087,641
Furniture and equipment	1,318,264	117,361	-	1,435,625
Vehicles	99,691	16,008	38,037	77,662
Library books and films	443,075	24,162	15,288	451,949
	3,813,336	292,866	53,325	4,052,877
Total capital assets being depreciated, net	4,447,284	178,648	7,096	4,618,836
Governmental activities capital assets, net	\$ 4,604,496	\$ 178,648	\$ 7,096	\$ 4,776,048

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Student support services	\$	36,303
Instructional staff support services		17,350
General administration		10,325
Building administration		60,407
Plant operations and maintenance		152,472
Central and other support services		16,009

Total depreciation expense -

governmental activities	\$	292,866
-------------------------	----	---------

Note 4. Long-term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Compensated absences	\$ 58,800	\$ 6,705	\$ 36,680	\$ 28,825	\$ 28,825
Early retirement obligation	175,820	-	62,203	113,617	46,970
Net pension liability	12,331,708	-	980,767	11,350,941	-
Total OPEB liability	1,702,589	-	551,335	1,151,254	-
	<u>\$14,268,917</u>	<u>\$ 6,705</u>	<u>\$ 1,630,985</u>	<u>\$ 12,644,637</u>	<u>\$ 75,795</u>

Early Retirement Obligation:

In December, 2015, the Agency approved a voluntary early retirement plan for employees. Eligible employees must have completed at least ten years of full-time service to the Agency and must have reached the age of fifty-nine or meet the Iowa Public Employees' Retirement System "Rule of 88" prior to August 31, 2016. The application for early retirement is subject to approval by the Board of Directors.

Early retirement benefits are equal to \$7,617 paid toward health insurance premiums.

Early retirement benefits will be paid in monthly installments for the lesser of six years or the employee reaching Medicare eligibility.

At June 30, 2020, the Agency has obligations to 7 participants with a total liability of \$113,617. Actual early retirement expenditures for the year ended June 30, 2020 totaled \$62,203.

NOTES TO FINANCIAL STATEMENTS

Note 5. Operating Leases

The Agency has leased various facilities within the area to house the different regions of the Agency. These leases have been classified as operating leases and, accordingly, all rents are charged to expenditures as incurred. The leases expire between June 30, 2021 and September 30, 2023. 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.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2020.

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 33,520
2022	13,815
2023	<u>7,200</u>
	<u>\$ 54,535</u>

The 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, was \$33,520.

Note 6. Lease of Office Space

The Agency, as lessor, leases 55% of a building as office space to several entities. The lease terms expire in various years through 2023 and range from \$7,655 to \$30,000 per lease annually.

At June 30, 2020, future minimum lease payments receivable under non-cancellable operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 78,395
2022	68,494
2023	<u>30,000</u>
	<u>\$ 176,889</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as 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 ended June 30, 2020 were \$1,478,224.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the Agency reported a liability of \$11,350,941 for its proportionate share of the net pension liability. 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the Agency’s proportion was 0.196022%, which was an increase of 0.001154% over its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Agency recognized pension expense of \$1,956,804. At June 30, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,468	\$ 408,121
Changes of assumptions	1,215,848	-
Net difference between projected and actual earnings on IPERS' investments	-	1,279,115
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	56,195	828,415
Agency contributions subsequent to the measurement date	1,478,224	-
	<u>\$ 2,781,735</u>	<u>\$ 2,515,651</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued) – \$1,478,224 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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 Ended June 30,</u>	<u>Total</u>
2021	\$ (74,470)
2022	(606,041)
2023	(297,835)
2024	(209,417)
2025	(24,377)
	<u>\$ (1,212,140)</u>

There are no non-employer contributing entities to IPERS.

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 measurement:

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

The actuarial assumptions used in the June 30, 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-2007 generational adjustments.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

Actuarial Assumptions (continued) – The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of 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
	<u>100.0 %</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Agency's proportionate share of the net pension liability	\$ 20,155,607	\$ 11,350,941	\$ 3,965,684

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

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

Payables to IPERS – At June 30, 2020, the Agency reported payables to IPERS of \$0 for legally required Agency contributions and \$0 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

Note 8. Other Postemployment Benefits (OPEB)

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

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

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	16
Active employees	<u>244</u>
	<u>260</u>

Total OPEB Liability – The Agency's total OPEB liability of \$1,151,254 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 normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	
(effective June 30, 2020)	2.50% per annum.
Rates of salary increase	
(effective June 30, 2020)	3.25% per annum, including inflation.
Discount rate	
(effective June 30, 2020)	2.45% compounded annually, including inflation.
Healthcare cost trend rate	
(effective June 30, 2020)	6.40% initial rate gradually decreasing annually to an ultimate rate of 4.00%.

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefits (OPEB) (Continued)

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/Aa or higher as of the measurement date.

Mortality rates are from the RP-2014 mortality table fully generational using scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability –

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 1,702,589
Changes for the year:	
Service cost	152,299
Interest	56,479
Differences between expected and actual experience	(490,838)
Changes in assumptions	(168,389)
Benefit payments	<u>(100,886)</u>
Net changes	<u>(551,335)</u>
Total OPEB liability end of year	<u>\$ 1,151,254</u>

Changes of assumptions reflect a change in the discount rate from 3.13% in fiscal year 2019 to 2.45% in fiscal year 2020. In addition, the change in assumptions reflect lower than expected premiums and updated claims cost, updates to demographic rates, plan experience different than expected, updates in healthcare trend rates and change in plan election rates.

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.

	<u>1% Decrease (1.45%)</u>	<u>Discount Rate (2.45%)</u>	<u>1% Increase (3.45%)</u>
Total OPEB liability	<u>\$ 1,224,569</u>	<u>\$ 1,151,254</u>	<u>\$ 1,081,067</u>

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefits (OPEB) (Continued)

Sensitivity of the Agency's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.40%) or 1% higher (7.40%) than the current healthcare cost trend rates.

	1% Decrease (5.40%)	Healthcare Cost Trend Rate (6.40%)	1% Increase (7.40%)
Total OPEB liability	\$ 1,036,215	\$ 1,151,254	\$ 1,286,171

OPEB Expense, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the Agency recognized OPEB expense of \$143,431. At June 30, 2020, the Agency reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	\$ -	\$ 433,363
Changes in assumptions	86,550	167,830
Total	<u>\$ 86,550</u>	<u>\$ 601,193</u>

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

Year Ending June 30,	Total
2021	\$ (65,347)
2022	(65,347)
2023	(65,347)
2024	(65,347)
2025	(65,347)
Thereafter	(187,908)
	<u>\$ (514,643)</u>

NOTES TO FINANCIAL STATEMENTS

Note 9. 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 has a partial self-funded health plan for its employees. The Agency assumes liability for the difference between a higher deductible and higher out-of-pocket maximum plan than the plan offered to the employees. The plan purchased by the Agency has a deductible and out-of-pocket maximum 5 times the plan offered to the employees. The Agency also self-funds the difference between the prescription benefit and the co-pay amount.

At June 30, 2020, the Agency's reserve was \$58,515.

Note 10. Deficit Balance

The Agency had a governmental activities deficit net position balance of \$3,691,292 at June 30, 2020, primarily due to the net pension liability.

NOTES TO FINANCIAL STATEMENTS

Note 11. Early Childhood Iowa Area Board

The Agency is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 2561 of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the Agency’s financial statements as an Agency Fund because of the Agency’s fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2020 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State of Iowa grants:			
Early childhood	\$ 59,672	\$ -	\$ 59,672
Quality improvement	-	59,591	59,591
Allocation for administration	-	12,600	12,600
School ready general use	-	348,056	348,056
Total revenues	59,672	420,247	479,919
Expenditures:			
Program services:			
Early childhood	59,672	-	59,672
Quality improvement	-	50,111	50,111
School ready general use	-	344,468	344,468
Total program services	59,672	394,579	454,251
Administration	-	12,600	12,600
Total expenditures	59,672	407,179	466,851
Change in fund balance	-	13,068	13,068
Fund balance, beginning of year	-	64,240	64,240
Fund balance, end of year	\$ -	\$ 77,308	\$ 77,308

NOTES TO FINANCIAL STATEMENTS

Note 12. Categorical Funding

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

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2020.

Program	Amount
Professional development	<u>\$ 78,092</u>

Note 13. Significant Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. It is unknown how long the adverse conditions associated with COVID-19 will last and what the complete financial effect will be to the Organization.

REQUIRED SUPPLEMENTARY INFORMATION

PRAIRIE LAKES AREA EDUCATION AGENCY

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES -- BUDGET AND ACTUAL --**

ALL GOVERNMENTAL FUNDS

Required Supplementary Information

Year Ended June 30, 2020

	Governmental		Final to Actual Variance	
	Funds Actual	Budgeted Amounts		
		Original	Final	
Revenues:				
Local sources	\$ 8,423,969	\$ 8,436,835	\$ 8,377,789	\$ 46,180
State sources	8,696,185	9,497,579	8,586,933	109,252
Federal sources	8,834,227	9,137,756	9,344,043	(509,816)
Total revenues	25,954,381	27,072,170	26,308,765	(354,384)
Expenditures/Expenses:				
Current:				
Instruction	979,420	1,272,618	1,130,142	(150,722)
Student support services	16,555,746	17,235,993	16,570,030	(14,284)
Instructional staff support services	3,664,648	3,218,485	3,632,330	32,318
General administration	595,089	510,952	668,487	(73,398)
Business administration	1,853,167	2,085,329	1,974,239	(121,072)
Plant operations and maintenance	674,238	763,773	778,066	(103,828)
Central and other support services	1,597,831	1,879,042	1,401,521	196,310
Non-instructional programs	105,809	105,978	105,809	-
Total expenditures/expenses	26,025,948	27,072,170	26,260,624	(234,676)
Change in fund balance	(71,567)	-	48,141	(119,708)
Balance, beginning of year	4,438,908	3,518,162	4,438,908	-
Balance, end of year	\$ 4,367,341	\$ 3,518,162	\$ 4,487,049	\$ (119,708)

See accompanying Independent Auditor's Report.

PRAIRIE LAKES AREA EDUCATION AGENCY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2020

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 Special Revenue Fund.

The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles for all funds except 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.

PRAIRIE LAKES AREA EDUCATION AGENCY

**SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

Iowa Public Employees' Retirement System

For the Last Six Years *

(In Thousands)

Required Supplementary Information

	<u>2020</u>	<u>2019</u>
Agency's proportion of the net pension liability	0.196022%	0.194868%
Agency's proportionate share of the net pension liability	\$ 11,351	\$ 12,332
Agency's covered payroll	\$ 14,918	\$ 14,647
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	76.09%	84.19%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%

* 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 ten-year trend is compiled, the Agency will present information for those years for which information is available.

See accompanying Independent Auditor's Report.

2018	2017	2016	2015
0.195167%	0.224005%	0.233806%	0.215567%
\$ 13,001	\$ 14,097	\$ 11,551	\$ 8,549
\$ 14,568	\$ 16,077	\$ 16,183	\$ 14,295
89.24%	87.68%	71.38%	59.80%
82.21%	81.82%	85.19%	87.61%

PRAIRIE LAKES AREA EDUCATION AGENCY

SCHEDULE OF AGENCY CONTRIBUTIONS
Iowa Public Employees' Retirement System
For the Last Ten Fiscal Years
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017
Statutorily required contribution	\$ 1,478	\$ 1,408	\$ 1,308	\$ 1,301
Contributions in relation to the statutorily required contribution	(1,478)	(1,408)	(1,308)	(1,301)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Agency's covered payroll	\$ 15,659	\$ 14,918	\$ 14,647	\$ 14,568
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%

See accompanying Independent Auditor's Report.

2016		2015		2014		2013		2012		2011	
\$	1,436	\$	1,445	\$	1,277	\$	1,142	\$	1,015	\$	941
	(1,436)		(1,445)		(1,277)		(1,142)		(1,015)		(941)
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	16,077	\$	16,183	\$	14,295	\$	13,169	\$	12,582	\$	13,545
	8.93%		8.93%		8.93%		8.67%		8.07%		6.95%

PRAIRIE LAKES AREA EDUCATION AGENCY

Notes to Required Supplementary Information – Pension Liability June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

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 assumptions.

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

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

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

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

PRAIRIE LAKES AREA EDUCATION AGENCY

**SCHEDULE OF CHANGES IN THE AGENCY'S TOTAL OPEB LIABILITY,
RELATED RATIOS AND NOTES**

For the Last Three Years

Required Supplementary Information

	2020	2019	2018
Service Cost	\$ 152,299	\$ 118,995	\$ 114,971
Interest Cost	56,479	59,742	62,348
Differences between expected and actual experience	(490,838)	-	-
Changes in assumptions	(168,389)	116,040	(27,856)
Benefit payments	(100,886)	(127,426)	(220,818)
Net change in total OPEB liability	(551,335)	167,351	(71,355)
Total OPEB liability beginning of year	1,702,589	1,535,238	1,606,593
Total OPEB liability end of year	<u>\$ 1,151,254</u>	<u>\$ 1,702,589</u>	<u>\$ 1,535,238</u>
Covered-employee payroll	\$ 15,179,079	\$ 15,006,112	17,056,089
Total OPEB liability as a percentage of covered-employee payroll	7.6%	11.3%	9.0%

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 2020	2.45%
Year ended June 30, 2019	3.13%
Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

Note: GASB Statement No. 75 requires ten years of information be presented in this table. However, until a full ten-year trend is compiled, the Agency will present information for those years for which information is available.

See accompanying Independent Auditor's Report.

PRAIRIE LAKES AREA EDUCATION AGENCY

SUPPLEMENTARY INFORMATION

**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
Assets:				
Cash	\$ 64,240	\$ 479,919	\$ 466,851	\$ 77,308
Total assets	\$ 64,240	\$ 479,919	\$ 466,851	\$ 77,308
Liabilities:				
Due to other governments	\$ 64,240	\$ 479,919	\$ 466,851	\$ 77,308
Total liabilities	\$ 64,240	\$ 479,919	\$ 466,851	\$ 77,308

See accompanying Independent Auditor's Report.

PRAIRIE LAKES AREA EDUCATION AGENCY

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES
BY FUNCTION -- ALL GOVERNMENTAL FUNDS**

For the Last Ten Years

	2020	2019	2018	2017
Revenues:				
Local	\$ 8,423,969	\$ 8,477,668	\$ 8,671,268	\$ 8,813,332
State	8,696,185	8,281,271	8,226,157	8,102,174
Federal	8,834,227	8,999,739	8,792,078	8,446,329
Total	\$ 25,954,381	\$ 25,758,678	\$ 25,689,503	\$ 25,361,835
Expenditures:				
Current:				
Instruction	\$ 979,420	\$ 1,053,548	\$ 1,026,876	\$ 1,168,488
Student support services	16,661,555	15,795,097	15,408,217	17,249,418
Instructional staff support services	3,664,648	3,386,156	3,404,948	1,633,731
General administration	595,089	623,182	496,070	460,541
Business administration	1,853,167	1,840,438	2,478,807	2,516,637
Plant operations and maintenance	674,238	725,335	774,185	557,896
Central and other support services	1,597,831	1,306,537	1,332,491	1,056,566
Debt service	-	-	447,577	147,577
Total	\$ 26,025,948	\$ 24,730,293	\$ 25,369,171	\$ 24,790,854

See accompanying Independent Auditor's Report.

Schedule 2

Modified Accrual Basis					
2016	2015	2014	2013	2012	2011
\$ 8,870,523	\$ 8,456,982	\$ 8,927,821	\$ 7,503,344	\$ 7,508,883	\$ 7,430,401
8,530,389	8,409,177	7,994,815	7,517,247	7,256,771	8,662,465
9,428,470	9,491,846	8,236,347	8,324,354	7,815,655	9,729,231
\$ 26,829,382	\$ 26,358,005	\$ 25,158,983	\$ 23,344,945	\$ 22,581,309	\$ 25,822,097
\$ 1,174,573	\$ 1,090,824	\$ 578,952	\$ 502,061	\$ 480,958	\$ 656,783
18,382,274	18,734,907	18,206,259	16,398,182	9,889,858	10,216,925
2,233,592	2,061,800	2,290,147	2,075,943	7,640,591	7,835,633
738,372	971,800	975,125	848,890	848,990	811,244
2,349,804	1,760,604	1,508,670	1,467,786	1,218,065	1,018,588
642,464	750,094	620,093	625,547	550,510	894,022
1,054,252	1,624,239	2,167,518	2,146,578	2,138,593	2,343,009
152,390	151,890	985,968	185,368	184,305	312,055
\$ 26,727,721	\$ 27,146,158	\$ 27,332,732	\$ 24,250,355	\$ 22,951,870	\$ 24,088,259

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

Project Title	CFDA Number	Pass-through Grantor's Number	Pass-through to Subrecipients	Program Expenditures
Indirect:				
U.S. Department of Education:				
Iowa Department of Education:				
Special Education Cluster (IDEA):				
Special Education Grants to States:				
Early Childhood Education for the Handicapped	84.027	192008	\$ -	\$ 6,067,650
Early Childhood Education LEA Flow Through	84.027	192008	1,467,871	1,467,871
Family Educator Partner	84.027	K284-08	-	105,809
AEA Statewide Leadership Lead Work Team	84.027	001920	-	46,207
			1,467,871	7,687,537
Special Education - Preschool Grants:				
Part B - Section 619, Ages 3-5	84.173	19619-08	-	262,469
EC PBIS Professional Learning	84.173	025819	-	3,400
			-	265,869
			1,467,871	7,953,406
Special Education - Grants for Infants and Families:				
Part C	84.181	C1920-08	-	220,733
			-	220,733
State Personnel Development Grant				
	84.323	20SDI-04	-	62,500
			-	62,500
National Educational Leadership Preparation Study				
	84.367	031119	-	6,600
			-	6,600
Title III English Language Learners				
	84.365	19-20	-	276,810
			-	276,810
Title I Grants to Local Educational Agencies, Section 1003				
	84.010	19-20	-	176,130
Title I D Subpart 2	84.010	19-20	-	7,137
			-	183,267
U.S. Department of Health and Human Services:				
Iowa Department of Public Health:				
Medicaid Direct Service Reimbursement:				
Medicaid Direct Services - Part B	93.778	FY20	-	97,506
Medicaid Direct Services - Part C	93.778	FY20	-	33,405
			-	130,911
Total expenditures of federal awards			\$ 1,467,871	\$ 8,834,227

(Continued on next page)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

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

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

Indirect Cost Rate: Prairie Lakes Area Education Agency has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying Independent Auditor's Report.

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



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

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

To the Board of Directors of
Prairie Lakes Area Education Agency
Fort Dodge, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Prairie Lakes Area Education Agency as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Prairie Lakes Area Education Agency's internal control over financial reporting to determine the audit procedures 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 Prairie Lakes Area Education Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Prairie Lakes Area Education Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prairie Lakes Area Education Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about Prairie Lakes Area Education 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 Prairie Lakes Area Education Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

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

Schnum & Company, LLP

Fort Dodge, Iowa
November 12, 2020

PRAIRIE LAKES AREA EDUCATION AGENCY

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

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

To the Board of Directors of
Prairie Lakes Area Education Agency
Fort Dodge, Iowa

Report on Compliance for Each Major Federal Program

We have audited Prairie Lakes Area Education Agency's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. Prairie Lakes Area Education Agency's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Prairie Lakes Area Education 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 U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and 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 non-compliance 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 Prairie Lakes Area Education Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of Prairie Lakes Area Education Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, Prairie Lakes Area Education 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

The management of Prairie Lakes Area Education 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 Prairie Lakes Area Education Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures 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 Prairie Lakes Area Education Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

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

Schnier & Company, LLP

Fort Dodge, Iowa
November 12, 2020

PRAIRIE LAKES AREA EDUCATION AGENCY

Schedule of Findings and Questioned Costs Year ended June 30, 2020

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting practices.
- (b) No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over the major federal award programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major programs were:
 - Special Education Cluster (IDEA):
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.173 – Special Education – Preschool Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Prairie Lakes Area Education Agency qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Material Weakness:

No matters were noted.

Instances of Non-Compliance:

No matters were noted.

**Schedule of Findings and Questioned Costs
Year ended June 30, 2020**

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Material Weakness:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-20 Certified Budget – Expenditures during the year ended June 30, 2020 did not exceed the amounts budgeted.
- IV-B-20 Questionable Expenditures –No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-20 Travel Expense – No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- IV-D-20 Business Transactions – No business transactions between the Agency and Agency officials or employees were noted.
- IV-E-20 Restricted Donor Activity – No transactions were noted between the Agency, Agency officials, Agency employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- IV-F-20 Bond Coverage – Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-G-20 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.
- IV-I-20 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-J-20 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

**Schedule of Findings and Questioned Costs
Year ended June 30, 2020**

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

IV-K-20 Early Childhood Iowa Area Board – Prairie Lakes Area Education Agency is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the Agency’s financial statements as an Agency Fund because of the Agency’s fiduciary relationship with the organization.

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