

BAXTER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2021

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## **Baxter Community School District**

### **Officials**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
<b>Board of Education</b>		
Jon Northrup	President	2021
Colette Kunkel	Board Member	2023
Deborah Meyer	Board Member	2023
Cory Robinson	Board Member	2021
Kimberly Tichy	Board Member	2023
<b>School Officials</b>		
Mickolyn Clapper	Superintendent	2021
Julie McWhirter	District Secretary/Treasurer and Business Manager	2021
Ahlers & Cooney, P.C.	Attorney	2021

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of Baxter Community School District:**

**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 Baxter Community School District, Baxter, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the District'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 District'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 District'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 Baxter Community School District as of June 30, 2021, 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 District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 15 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 Baxter Community School District'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, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, 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 January 11, 2023 on our consideration of Baxter Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District'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 Baxter Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 11, 2023  
Newton, Iowa



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Baxter Community School District 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, 2021. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2021 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,330,245 in fiscal year 2020 to \$5,370,660 in fiscal year 2021, while General Fund expenditures increased from \$4,782,779 in fiscal year 2020 to \$5,436,928 in fiscal year 2021. Expenditures outpaced revenues resulting in a decrease in the District's General Fund balance from \$515,005 at June 30, 2020 to \$448,737 at June 30, 2021.
- The increase in General Fund revenues was mainly attributable to an increase in state and federal source revenues. The increase in expenditures was due primarily to an increase in instruction expenditures compared to fiscal year 2020.
- The District's total net position increased from \$4,999,392 at June 30, 2020 to \$5,171,741 at June 30, 2021. Total revenues increased from \$5,816,736 in fiscal year 2020 to \$6,564,186 in fiscal year 2021, a 12.85% increase, while total expenses increased from \$6,135,235 in fiscal year 2020 to \$6,690,145 in fiscal year 2021, a 9.04% increase compared to the prior year. The increase in revenues is due primarily to an increase in operating grants, contributions and restricted interest. The increase in expenses is due primarily due to an increase in instruction expenditures.

### 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 District'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 Baxter Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental and business type activities were financed in the short term as well as what remains for future spending. Fund financial statements report Baxter Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Baxter Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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 District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Baxter Community School District Annual Financial Report**

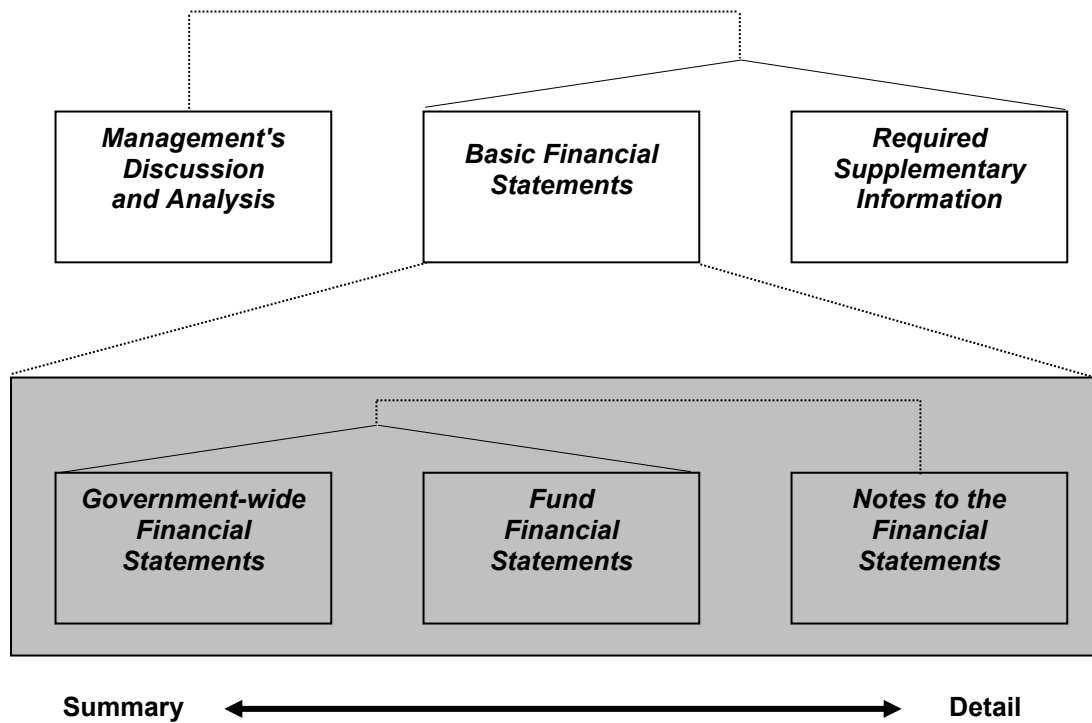




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-Wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service
Required financial statements	<ul style="list-style-type: none"> <li>· Statement of net position</li> <li>· Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>· Balance sheet</li> <li>· Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>· Statement of net position</li> <li>· Statement of revenues, expenses and changes in fund net position</li> <li>· Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow / outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or

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deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

## **Fund Financial Statements**

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

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

The District has two kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District'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 District's Enterprise Fund is the School Nutrition 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.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2021 compared to June 30, 2020.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2021	2020	2021	2020	2021	2020	2020-21
Current and other assets	\$ 4,801,775	5,766,927	61,370	20,147	4,863,145	5,787,074	-15.97%
Capital assets	13,094,209	12,164,443	2,376	3,052	13,096,585	12,167,495	7.64%
Total assets	17,895,984	17,931,370	63,746	23,199	17,959,730	17,954,569	0.03%
Deferred outflows of resources	754,014	742,482	21,064	20,968	775,078	763,450	1.52%
Long-term liabilities	10,641,459	10,751,286	79,041	72,561	10,720,500	10,823,847	-0.95%
Other liabilities	554,937	497,934	24,620	22,163	579,557	520,097	11.43%
Total liabilities	11,196,396	11,249,220	103,661	94,724	11,300,057	11,343,944	-0.39%
Deferred inflows of resources	2,257,188	2,363,557	5,822	11,126	2,263,010	2,374,683	-4.70%
Net position:							
Net investment in capital asset	5,614,306	5,641,697	2,376	3,052	5,616,682	5,644,749	-0.50%
Restricted	1,492,639	1,169,509	-	-	1,492,639	1,169,509	27.63%
Unrestricted	(1,910,531)	(1,750,131)	(27,049)	(64,735)	(1,937,580)	(1,814,866)	-6.76%
Total net position	\$ 5,196,414	5,061,075	(24,673)	(61,683)	5,171,741	4,999,392	3.45%

The District's total net position increased 3.45%, or \$172,349 from the prior year.

The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$323,130, or 27.63%, from the prior year. The increase in restricted net position was due primarily to an increase in the amount restricted for school infrastructure compared to the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$122,714, or 6.76%. This decrease in unrestricted net position was primarily a result of the increase in the District's net pension liability.

Figure A-4 shows the changes in net position for the year ended June 30, 2021 compared to the year ended June 30, 2020.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2021	2020	2021	2020	2021	2020	2020-21
Revenues:							
Program revenues:							
Charges for service	\$ 1,152,483	1,043,648	15,181	85,773	1,167,664	1,129,421	3.39%
Operating grants, contributions and restricted interest	648,844	398,272	212,719	67,108	861,563	465,380	85.13%
Capital grants, contributions and restricted interest	16,800	-	-	-	16,800	-	100.00%
General revenues:							
Property tax	1,968,991	1,719,296	-	-	1,968,991	1,719,296	14.52%
Income surtax	153,562	159,552	-	-	153,562	159,552	-3.75%
Statewide sales, services and use tax	322,136	320,493	-	-	322,136	320,493	0.51%
Unrestricted state grants	2,022,629	1,868,073	-	-	2,022,629	1,868,073	8.27%
Unrestricted investment earnings	6,664	112,927	-	-	6,664	112,927	-94.10%
Other	41,004	40,484	3,173	1,110	44,177	41,594	6.21%
Total revenues	6,333,113	5,662,745	231,073	153,991	6,564,186	5,816,736	12.85%
Program expenses:							
Instruction	3,776,280	3,301,732	-	-	3,776,280	3,301,732	14.37%
Support services	1,986,214	2,073,260	60	2,407	1,986,274	2,075,667	-4.31%
Non-instructional programs	-	-	194,003	185,029	194,003	185,029	4.85%
Other expenses	733,588	572,807	-	-	733,588	572,807	28.07%
Total expenses	6,496,082	5,947,799	194,063	187,436	6,690,145	6,135,235	9.04%
Change in net position before extraordinary item	(162,969)	(285,054)	37,010	(33,445)	(125,959)	(318,499)	-60.45%
Extraordinary item (see Note 14)	298,308	-	-	-	298,308	-	100.00%
Change in net position	135,339	(285,054)	37,010	(33,445)	172,349	(318,499)	-154.11%
Net position beginning of year	5,061,075	5,346,129	(61,683)	(28,238)	4,999,392	5,317,891	-5.99%
Net position end of year	\$ 5,196,414	5,061,075	(24,673)	(61,683)	5,171,741	4,999,392	3.45%

In fiscal year 2021, property tax and unrestricted state grants accounted for 63.03% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 98.67% of the revenue from business type activities.

The District's total revenues were approximately \$6.56 million, of which approximately \$6.33 million was for governmental activities and approximately \$0.23 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 12.85% increase in revenues and a 9.04% increase in expenses. The increase in revenues is primarily due to an increase in operating grants, contributions and restricted interest received. The increase in expenses is primarily due to an increase in instruction expenses incurred compared to the prior year.

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## Governmental Activities

Revenues for governmental activities were \$6,333,113 and expenses were \$6,496,082 for the year ended June 30, 2021.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2021 compared to those expenses for the year ended June 30, 2020.

Figure A-5 Total and Net Cost of Governmental Activities						
Total Cost of Services			Net Cost of Services			
2021	2020	Change 2020-21	2021	2020	Change 2020-21	
Instruction	\$ 3,776,280	3,301,732	14.37%	2,239,154	2,012,323	11.27%
Support services	1,986,214	2,073,260	-4.20%	1,850,294	2,062,725	-10.30%
Other expenses	733,588	572,807	28.07%	588,507	430,831	36.60%
Total	\$ 6,496,082	5,947,799	9.22%	4,677,955	4,505,879	3.82%

For the year ended June 30, 2021:

- The cost financed by users of the District's programs was \$1,152,483.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$665,644.
- The net cost of governmental activities was financed with \$1,968,991 in property tax, \$153,562 in income surtax, \$322,136 in statewide sales, services and use tax, \$2,022,629 in unrestricted state grants, \$6,664 in interest income and \$41,004 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2021 were \$231,073 and expenses were \$194,063. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and other general revenues.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Baxter Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,087,978, below last year's ending fund balances of \$3,215,416. The primary reason for the decrease in combined fund balances is decrease in the Capital Projects Fund balance.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. An increase in state and federal source revenues received compared to the prior year resulted in an increase in total revenues from \$4,330,245 in fiscal year 2020 to \$5,370,660 in fiscal year 2021. Expenditures increased compared to fiscal year 2020 primarily due to an increase in instruction costs. Expenditures exceeded revenues during the year resulting in a decrease in fund balance to \$448,737 at June 30, 2021.

- The Capital Projects Fund balance decreased from \$2,289,375 at June 30, 2020 to \$1,231,057 at June 30, 2021. Expenditures outpaced revenues leading to the decrease in the fund balance.
- The Management Levy Fund balance increased from \$275,044 at June 30, 2020 to \$305,837 at June 30, 2021. Revenues and expenditures did not vary significantly from the prior year.
- The Debt Service Fund balance increased from \$49,612 at June 30, 2020 to \$56,633 at June 30, 2021. Revenues and expenditures did not vary significantly from the prior year.

### Proprietary Fund Highlights

The School Nutrition Fund net position increased from deficit \$61,683 at June 30, 2020 to deficit \$24,673 at June 30, 2021, representing an increase of 60.00%. The increase in net position is due primarily to an increase in operating grants, contributions and restrict interest revenues compared to the prior year.

### BUDGETARY HIGHLIGHTS

The District's total revenues were \$70,279 more than budgeted revenues, a variance of 1.08%. The most significant variance resulted from the District receiving more from federal sources than originally anticipated.

It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The district then manages or controls general Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, expenditures in the support services and other expenditures functional areas exceeded the amounts budgeted as well as in total.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2021, the District had invested \$13,096,585, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents an increase of 7.64% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$386,187.

The original cost of the District's capital assets was \$17,460,798. Governmental funds accounted for \$17,393,509 with the remaining \$67,289 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings, net of accumulated depreciation, totaled \$12,603,778 at June 30, 2021, compared to \$4,744,338 at June 30, 2020. The increase resulted primarily from the completion of the high school building project.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2021	2020	2021	2020	2021	2020	2020-21
Land	\$ 105,602	105,602	-	-	105,602	105,602	0.00%
Construction in progress	-	7,011,538	-	-	-	7,011,538	-100.00%
Buildings	12,603,778	4,744,338	-	-	12,603,778	4,744,338	165.66%
Land improvements	174,287	74,686	-	-	174,287	74,686	133.36%
Machinery and equipment	210,542	228,279	2,376	3,052	212,918	231,331	-7.96%
Total	<u>\$ 13,094,209</u>	<u>12,164,443</u>	<u>2,376</u>	<u>3,052</u>	<u>13,096,585</u>	<u>12,167,495</u>	<u>7.64%</u>

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## Long-Term Debt

At June 30, 2021, the District had \$7,639,000 in long-term debt outstanding (see Figure A-7). More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

- The District had total outstanding general obligation bonds of \$5,754,000 at June 30, 2021, payable from the Debt Service Fund.
- The District had total outstanding revenue bonds of \$1,885,000 at June 30, 2021, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Figure A-7 Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2021	2020	2020-21
General obligation bonds	\$ 5,754,000	6,010,000	-4.26%
Revenue bonds	1,885,000	2,095,000	-10.02%
Total	<u>\$ 7,639,000</u>	<u>8,105,000</u>	<u>-5.75%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie McWhirter, District Secretary/Treasurer and Business Manager, Baxter Community School District, 202 East State Street, Baxter, Iowa, 50028.





## BASIC FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2021

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,254,181	59,166	2,313,347
Receivables:			
Property tax:			
Delinquent	10,065	-	10,065
Succeeding year	2,048,158	-	2,048,158
Income surtax	143,073	-	143,073
Due from other governments	346,298	399	346,697
Inventories	-	1,805	1,805
Capital assets not being depreciated:			
Land	105,602	-	105,602
Capital assets, net of accumulated depreciation:			
Buildings and land improvements and machinery and equipment	12,988,607	2,376	12,990,983
<b>Total assets</b>	<b>17,895,984</b>	<b>63,746</b>	<b>17,959,730</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	649,035	16,256	665,291
OPEB related deferred outflows	104,979	4,808	109,787
<b>Total deferred outflows of resources</b>	<b>754,014</b>	<b>21,064</b>	<b>775,078</b>
<b>Liabilities</b>			
Accounts payable	83,261	-	83,261
Salaries and benefits payable	439,305	11,784	451,089
Accrued interest payable	32,371	-	32,371
Unearned revenue	-	12,836	12,836
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	268,000	-	268,000
Revenue bonds	215,000	-	215,000
Portion due after one year:			
General obligation bonds	5,486,000	-	5,486,000
Revenue bonds	1,670,000	-	1,670,000
Net pension liability	2,729,848	66,554	2,796,402
Total OPEB liability	272,611	12,487	285,098
<b>Total liabilities</b>	<b>11,196,396</b>	<b>103,661</b>	<b>11,300,057</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	2,048,158	-	2,048,158
Pension related deferred inflows	175,225	4,273	179,498
OPEB related deferred inflows	33,805	1,549	35,354
<b>Total deferred inflows of resources</b>	<b>2,257,188</b>	<b>5,822</b>	<b>2,263,010</b>
<b>Net Position</b>			
Net investment in capital assets	5,614,306	2,376	5,616,682
Restricted for:			
Categorical funding	44,866	-	44,866
Debt service	24,262	-	24,262
Management levy purposes	305,837	-	305,837
Student activities	15,606	-	15,606
Support trust purposes	30,108	-	30,108
School infrastructure	851,559	-	851,559
Physical plant and equipment	220,401	-	220,401
Unrestricted	(1,910,531)	(27,049)	(1,937,580)
<b>Total net position</b>	<b>\$ 5,196,414</b>	<b>(24,673)</b>	<b>5,171,741</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
<b>Functions/Programs:</b>						
<b>Governmental activities:</b>						
Instruction:						
Regular	\$ 2,326,076	750,519	134,559	-	(1,440,998)	-
Special	589,000	195,424	66,292	-	(327,284)	-
Other	861,204	184,310	206,022	-	(470,872)	-
	<u>3,776,280</u>	<u>1,130,253</u>	<u>406,873</u>	<u>-</u>	<u>(2,239,154)</u>	<u>-</u>
Support services:						
Student	162,304	-	22,400	-	(139,904)	-
Instructional staff	106,724	7,921	27,209	-	(71,594)	-
Administration	786,859	-	-	-	(786,859)	-
Operation and maintenance of plant	726,214	14,309	9,855	16,800	(685,250)	-
Transportation	204,113	-	37,426	-	(166,687)	-
	<u>1,986,214</u>	<u>22,230</u>	<u>96,890</u>	<u>16,800</u>	<u>(1,850,294)</u>	<u>-</u>
Long-term debt interest	259,306	-	-	-	(259,306)	-
Other expenditures:						
AEA flowthrough	145,081	-	145,081	-	-	-
Depreciation (unallocated)*	329,201	-	-	-	(329,201)	-
	<u>474,282</u>	<u>-</u>	<u>145,081</u>	<u>-</u>	<u>(329,201)</u>	<u>-</u>
Total governmental activities	<u>6,496,082</u>	<u>1,152,483</u>	<u>648,844</u>	<u>16,800</u>	<u>(4,677,955)</u>	<u>-</u>
<b>Business type activities:</b>						
Support services:						
Instructional staff	60	-	-	-	-	(60)
Non-instructional programs:						
Food service operations	194,003	15,181	212,719	-	-	33,897
Total business type activities	<u>194,063</u>	<u>15,181</u>	<u>212,719</u>	<u>-</u>	<u>-</u>	<u>33,837</u>
Total	<u>\$ 6,690,145</u>	<u>1,167,664</u>	<u>861,563</u>	<u>16,800</u>	<u>(4,677,955)</u>	<u>33,837</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,387,966	-	1,387,966
Debt service				465,971	-	465,971
Capital outlay				115,054	-	115,054
Income surtax				153,562	-	153,562
Statewide sales, services and use tax				322,136	-	322,136
Unrestricted state grants				2,022,629	-	2,022,629
Unrestricted investment earnings				6,664	-	6,664
Other				41,004	3,173	44,177
Total general revenues				<u>4,514,986</u>	<u>3,173</u>	<u>4,518,159</u>
Changes in net position before extraordinary item				(162,969)	37,010	(125,959)
Extraordinary item (Note 14)				298,308	-	298,308
Change in net position				135,339	37,010	172,349
Net position beginning of year				5,061,075	(61,683)	4,999,392
Net position end of year				<u>\$ 5,196,414</u>	<u>(24,673)</u>	<u>5,171,741</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

	General	Capital Projects	Management Levy	Debt Service	Nonmajor	Total
<b>Assets</b>						
Cash and pooled investments	\$ 594,380	1,203,448	304,696	105,943	45,714	2,254,181
Receivables:						
Property tax:						
Delinquent	5,859	607	1,141	2,458	-	10,065
Succeeding year	1,310,935	78,800	195,000	463,423	-	2,048,158
Income surtax	143,073	-	-	-	-	143,073
Due from other governments	319,296	27,002	-	-	-	346,298
<b>Total assets</b>	<b>\$ 2,373,543</b>	<b>1,309,857</b>	<b>500,837</b>	<b>571,824</b>	<b>45,714</b>	<b>4,801,775</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 31,493	-	-	51,768	-	83,261
Salaries and benefits payable	439,305	-	-	-	-	439,305
Total liabilities	470,798	-	-	51,768	-	522,566
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	1,310,935	78,800	195,000	463,423	-	2,048,158
Income surtax	143,073	-	-	-	-	143,073
Total deferred inflows of resources	1,454,008	78,800	195,000	463,423	-	2,191,231
Fund balances:						
Restricted for:						
Categorical funding	44,866	-	-	-	-	44,866
Debt service	-	-	-	56,633	-	56,633
Management levy purposes	-	-	305,837	-	-	305,837
Student activities	-	-	-	-	15,606	15,606
Support trust purposes	-	-	-	-	30,108	30,108
School infrastructure	-	1,010,656	-	-	-	1,010,656
Physical plant and equipment	-	220,401	-	-	-	220,401
Unassigned	403,871	-	-	-	-	403,871
Total fund balances	448,737	1,231,057	305,837	56,633	45,714	2,087,978
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,373,543</b>	<b>1,309,857</b>	<b>500,837</b>	<b>571,824</b>	<b>45,714</b>	<b>4,801,775</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021

<b>Total fund balances of governmental funds (page 20)</b>	\$ 2,087,978
<b><i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	13,094,209
Accounts receivable income surtax is not available to finance expenditures of the current year and, therefore, is recognized as deferred inflows of resources in the governmental funds.	143,073
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the government funds.	(32,371)
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	\$ 754,014
Deferred inflows of resources	<u>(209,030)</u>
	544,984
Long-term liabilities, including bonds payable, net pension liability and total OPEB liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(10,641,459)</u>
<b>Net position of governmental activities (page 18)</b>	<u><u>\$ 5,196,414</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2021

	General	Capital Projects	Management Lewy	Debt Service	Nonmajor	Total
Revenues:						
Local sources:						
Local tax	\$ 1,302,531	115,054	226,386	465,971	-	2,109,942
Tuition	923,961	-	-	-	-	923,961
Other	118,203	1,713	-	1,612	158,841	280,369
State sources	2,319,871	322,585	911	1,819	-	2,645,186
Federal sources	361,044	-	-	-	-	361,044
Total revenues	5,025,610	439,352	227,297	469,402	158,841	6,320,502
Expenditures:						
Current:						
Instruction:						
Regular	2,110,077	-	24,256	-	-	2,134,333
Special	579,050	-	-	-	-	579,050
Other	675,907	-	-	-	199,507	875,414
	3,365,034	-	24,256	-	199,507	3,588,797
Support services:						
Student	161,920	-	-	-	-	161,920
Instructional staff	166,948	2,315	-	-	-	169,263
Administration	748,122	12,232	-	2,100	-	762,454
Operation and maintenance of plant	655,149	281,775	155,196	-	-	1,092,120
Transportation	177,874	3,665	17,052	-	-	198,591
	1,910,013	299,987	172,248	2,100	-	2,384,348
Capital outlay	-	948,088	-	-	-	948,088
Long-term debt:						
Principal	-	-	-	466,000	-	466,000
Interest and fiscal charges	-	-	-	260,676	-	260,676
	-	-	-	726,676	-	726,676
Other expenditures:						
AEA flowthrough	145,081	-	-	-	-	145,081
Total expenditures	5,420,128	1,248,075	196,504	728,776	199,507	7,792,990
Excess (Deficiency) of revenues over (under) expenditures	(394,518)	(808,723)	30,793	(259,374)	(40,666)	(1,472,488)
Other financing sources (uses):						
Insurance proceeds	344,500	-	-	-	-	344,500
Proceeds from the sale of equipment	550	-	-	-	-	550
Transfer in	-	554,118	-	266,395	-	820,513
Transfer out	(16,800)	(803,713)	-	-	-	(820,513)
Total other financing sources (uses)	328,250	(249,595)	-	266,395	-	345,050
Change in fund balances	(66,268)	(1,058,318)	30,793	7,021	(40,666)	(1,127,438)
Fund balances beginning of year	515,005	2,289,375	275,044	49,612	86,380	3,215,416
Fund balances end of year	\$ 448,737	1,231,057	305,837	56,633	45,714	2,087,978

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021

**Change in fund balances - total governmental funds (page 22)** \$ (1,127,438)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Capital outlay	\$ 1,315,277	
Depreciation expense	<u>(385,511)</u>	929,766

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.	12,611
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Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in Statement of Net Position.	466,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	1,370
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The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.	293,671
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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:

Pension expense	(406,666)	
Total OPEB liability and related expenses	<u>(33,975)</u>	<u>(440,641)</u>

**Change in net position of governmental activities (page 19)** \$ 135,339

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2021

	Business Type Activities:
	Enterprise Fund
	School Nutrition
<b>Assets</b>	
Current assets:	
Cash and pooled investments	\$ 59,166
Due from other governments	399
Inventories	1,805
Total current assets	<u>61,370</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>2,376</u>
<b>Total assets</b>	<u><b>63,746</b></u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	16,256
OPEB related deferred outflows	4,808
<b>Total deferred outflows of resources</b>	<u><b>21,064</b></u>
<b>Liabilities</b>	
Current liabilities:	
Salaries and benefits payable	11,784
Unearned revenue	12,836
Total current liabilities	<u>24,620</u>
Noncurrent liabilities:	
Net pension liability	66,554
Total OPEB liability	12,487
Total noncurrent liabilities	<u>79,041</u>
<b>Total liabilities</b>	<u><b>103,661</b></u>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	4,273
OPEB related deferred inflows	1,549
<b>Total deferred inflows of resources</b>	<u><b>5,822</b></u>
<b>Net Position</b>	
Net investment in capital assets	2,376
Unrestricted	(27,049)
<b>Total net position</b>	<u><b>\$ (24,673)</b></u>

SEE NOTES TO FINANCIAL STATEMENTS.



BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2021

	Business Type Activities:
	Enterprise Fund
	School
	Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 15,181
Miscellaneous	3,173
Total operating revenues	<u>18,354</u>
Operating expenses:	
Support Services:	
Instructional staff:	
Other	<u>60</u>
Non-instructional programs:	
Food service operations:	
Salaries	69,403
Benefits	34,426
Supplies	88,059
Depreciation	676
Other	1,439
Total non-instructional programs	<u>194,003</u>
Total operating expenses	<u>194,063</u>
Operating loss	<u>(175,709)</u>
Non-operating revenues:	
State sources	1,661
Federal sources	211,058
Total non-operating revenues	<u>212,719</u>
Change in net position	37,010
Net position beginning of year	<u>(61,683)</u>
Net position end of year	<u>\$ (24,673)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2021

	Business Type Activities: Enterprise Fund	School Nutrition
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 17,391	
Cash received from miscellaneous	3,173	
Cash payments to employees for services	(102,502)	
Cash payments to suppliers for goods or services	(66,612)	
Net cash used in operating activities	(148,550)	
Cash flows from non-capital financing activities:		
State grants received	1,262	
Federal grants received	193,867	
Net cash provided by non-capital financing activities	195,129	
Net increase in cash and pooled investments	46,579	
Cash and pooled investments beginning of year	12,587	
Cash and pooled investments end of year	\$ 59,166	
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (175,709)	
Adjustments to reconcile operating loss to used in operating activities:		
Commodities consumed	17,191	
Depreciation	676	
Change in assets and liabilities:		
Inventories	5,755	
Salaries and benefits payable	247	
Net pension liability	5,260	
Deferred outflows of resources	(96)	
Deferred inflows of resources	(5,304)	
Unearned revenue	2,210	
Total OPEB liability	1,220	
Net cash used in operating activities	\$ (148,550)	

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2021, the District received \$17,191 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**(1) Summary of Significant Accounting Policies**

Baxter Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as career and technical and recreational courses. The geographic area served includes the City of Baxter, Iowa and the predominate agricultural territory in Jasper and Marshall Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District'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, Baxter Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District 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 District are such that exclusion would cause the District'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 District 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 District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jasper and Marshall County Assessors' Conference Boards.

**B. Basis of Presentation**

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

The Statement of Net Position presents the District'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 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 often has constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax 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, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Management Levy Fund is used to account for management fund tax levies and for tort liability insurance premiums, unemployment compensation insurance claims and early retirement incentive payments.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports the following nonmajor proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

### ***C. Measurement Focus and Basis of Accounting***

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

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

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

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 terms of grant agreements, the District 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 District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to 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 District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### ***D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity/ Net Position***

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investments in the Iowa Schools Joint Investment Trust which are valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized cost.

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

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2020.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost 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 District 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	\$ -
Buildings	5,000
Land improvements	5,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

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

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position for the Proprietary, School Nutrition Fund.

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

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

terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Deferred inflows of resources on the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unrecognized items not yet charged to pension and OPEB expense.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

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 imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classification.

### ***E. Budget and Budgetary Accounting***

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2021, expenditures exceeded the amounts budgeted in the support services and other expenditures functions as well as in total.

#### **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Funds 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 District 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 Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2021, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) Direct Government Obligations Portfolio which are valued at an amortized cost of \$159,082 respectively. There were no limitations or restrictions on withdrawals of the ISJIT. The investments in ISJIT were rated AAAM by Standard's and Poor's Financial Services.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2021 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 105,602	-	-	105,602
Construction in progress	7,011,538	1,013,462	8,025,000	-
Total capital assets not being depreciated	7,117,140	1,013,462	8,025,000	105,602
Capital assets being depreciated:				
Buildings	7,836,968	8,174,067	29,380	15,981,655
Land improvements	436,468	114,175	70,910	479,733
Machinery and equipment	812,947	38,573	25,001	826,519
Total capital assets being depreciated	9,086,383	8,326,815	125,291	17,287,907
Less accumulated depreciation for:				
Buildings	3,092,630	314,627	29,380	3,377,877
Land improvements	361,782	14,574	70,910	305,446
Machinery and equipment	584,668	56,310	25,001	615,977
Total accumulated depreciation	4,039,080	385,511	125,291	4,299,300
Total capital assets being depreciated, net	5,047,303	7,941,304	-	12,988,607
Governmental activities capital assets, net	\$ 12,164,443	8,954,766	8,025,000	13,094,209
<b>Business type activities:</b>				
Machinery and equipment	\$ 67,289	-	-	67,289
Less accumulated depreciation	64,237	676	-	64,913
Business type activities capital assets, net	\$ 3,052	(676)	-	2,376

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Other	\$ 3,040
Support services:	
Operation and maintenance of plant	1,732
Transportation	51,538
	56,310
Unallocated depreciation	329,201
Total governmental activities depreciation expense	\$ 385,511
Business type activities:	
Food service operations	\$ 676



#### (4) Interfund Transfers

The detail of the transfer for the year ended June 30, 2021 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 266,395
Capital Projects: Statewide Sales, Services and Use Tax	Capital Projects: Other Capital Projects	537,318
Capital Projects: Physical Plant and Equipment Levy	General	16,800
Total		<u>\$ 820,513</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest on the revenue bonds.

The transfer from the Capital Projects: Other Capital Projects Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund was needed to recover upfront costs from fiscal year 2019 for the design and development of the fiscal year 2018 building project.

The transfer from the General Fund to the Capital Projects: Physical Plant and Equipment Levy Fund was needed for ESSER II expenditures.

#### (5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2021 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 6,010,000	-	256,000	5,754,000	268,000
Revenue bonds	2,095,000	-	210,000	1,885,000	215,000
Net pension liability	2,400,321	329,527	-	2,729,848	-
Total OPEB liability	245,965	26,646	-	272,611	-
Total	<u>\$ 10,751,286</u>	<u>356,173</u>	<u>466,000</u>	<u>10,641,459</u>	<u>483,000</u>
<b>Business type activities:</b>					
Net pension liability	\$ 61,294	5,260	-	66,554	-
Total OPEB liability	11,267	1,220	-	12,487	-
Total	<u>\$ 72,561</u>	<u>6,480</u>	<u>-</u>	<u>79,041</u>	<u>-</u>

#### General Obligation Bonds

Details of the District's June 30, 2021 general obligation indebtedness are as follows:

Year	Bond Issue June 4, 2019			Bond Issue June 3, 2020			Total		
Ending June 30,	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2022	5.00 %	\$ 220,000	189,100	2.67 %	\$ 48,000	5,123	268,000	194,223	462,223
2023	5.00	230,000	178,100	2.80	50,000	3,839	280,000	181,939	461,939
2024	5.00	245,000	166,600	2.90	48,000	2,439	293,000	169,039	462,039
2025	4.00	255,000	154,350	3.10	33,000	1,023	288,000	155,373	443,373
2026	4.00	265,000	144,150	-	-	-	265,000	144,150	409,150
2027-2031	3.00-4.00	1,475,000	571,250	-	-	-	1,475,000	571,250	2,046,250
2032-2036	3.00	1,725,000	332,250	-	-	-	1,725,000	332,250	2,057,250
2037-2039	3.00	1,160,000	70,350	-	-	-	1,160,000	70,350	1,230,350
Total		<u>\$ 5,575,000</u>	<u>1,806,150</u>		<u>\$ 179,000</u>	<u>12,424</u>	<u>5,754,000</u>	<u>1,818,574</u>	<u>7,572,574</u>

## Revenue Bonds

Details of the District's June 30, 2021 statewide sales, services, and use tax revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue June 27, 2019			
	Interest Rate	Principal	Interest	Total
2022	2.64	% \$ 215,000	49,764	264,764
2023	2.64	220,000	44,088	264,088
2024	2.64	225,000	38,280	263,280
2025	2.64	230,000	32,340	262,340
2026	2.64	240,000	26,268	266,268
2027-2029	2.64	755,000	40,260	795,260
Total		\$ 1,885,000	231,000	2,116,000

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,300,000 of bonds issued in June 2019. The bonds were issued for the purpose of providing funds to build, furnish, and equip additions to and repair, remodel, equip, and improve existing school facilities, including site improvements. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 82% of the statewide sales, service and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,116,000. For the current year \$210,000 in principal and \$55,308 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$322,136.

## **(6) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by 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](http://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 information purposes only. Refer to the plan documents for more information.

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

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

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

member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

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

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

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

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2021 were \$301,263.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the District reported a liability of \$2,796,402 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the District's proportion was 0.039808%, which was a decrease of 0.002702% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$413,781. At June 30, 2021, the District 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	\$ 3,089	66,282
Changes of assumptions	143,538	-
Net difference between projected and actual earnings on IPERS' investments	157,202	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	60,199	113,216
District contributions subsequent to the measurement date	301,263	-
Total	<u>\$ 665,291</u>	<u>179,498</u>

\$301,263 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2022	\$ 30,598
2023	50,452
2024	43,603
2025	72,307
2026	(12,430)
Total	<u>\$ 184,530</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 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, 2020 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 2020 valuation were based on the RP-2014 Employee and Health Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District'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.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 4,662,765	2,796,402	1,231,486

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

## (7) Other Postemployment Benefits (OPEB)

Plan Description - The District 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 the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical 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, 2021, the following employees were covered by the benefit terms:

Active employees 54

Total OPEB Liability - The District's total OPEB liability of \$285,098 was measured as of June 30, 2021 and was determined by an actuarial valuation dated July 1, 2019.

Actuarial Assumptions - The total OPEB liability in the June 30, 2021 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	3.00% per annum.
Rates of salary increase	3.25% per annum, including inflation.
Discount rate	3.50% compounded annually, including inflation.
Healthcare cost trend rate	7.50% for FY2020, decreasing to an ultimate rate of 5.00%.

Discount Rate - The discount rate used to measure the total OPEB liability was 3.50% 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 Annuitant distinct mortality table adjusted to 2006 with MP-2019 generational projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirroring those used by IPERS.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 257,232
Changes for the year:	
Service cost	22,303
Interest	9,711
Benefit payments	<u>(4,148)</u>
Net changes	<u>27,866</u>
Total OPEB liability end of year	<u>\$ 285,098</u>

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1% lower (2.50%) or 1% higher (4.50%) than the current discount rate.

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 313,579	285,098	259,117

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates 1% lower (6.50%) or 1% higher (8.50%) than the current healthcare cost trend rates.

	1% Decrease (6.50%)	Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
Total OPEB liability	\$ 249,894	285,098	327,948

OPEB Expense and Deferred Outflows of Resources Related to OPEB - For the year ended June 30, 2021, the District recognized OPEB expense of \$39,680. At June 30, 2021, the District reported deferred outflows of resources related to OPEB from the following resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 62,494	35,354
Changes in assumptions	47,293	-
Total	<u>\$ 109,787</u>	<u>35,354</u>

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

Year Ended June 30,	Amount
2022	\$ 7,666
2023	7,666
2024	7,666
2025	7,666
2026	7,666
Thereafter	<u>36,103</u>
Total	<u>\$ 74,433</u>

## (8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, life, accidental death and dismemberment and long-term disability.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2021 were \$349,417.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

The District 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 District 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.

## (9) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

### Tax Abatements of Other Entities

Other entities within the District provide tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa.

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2021 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Baxter	Urban Renewal and Economic Development Projects	<u>\$ 11,524</u>

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2021, this reimbursement amounted to \$5,076.

#### (10) Categorical Funding

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

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2021.

Program	Amount
Four-Year-Old Preschool State Aid	\$ 24
Successful Progression for Early Readers	31,061
Professional Development	13,781
Total	<u>\$ 44,866</u>

#### (11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$145,081 for the year ended June 30, 2021 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### (12) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	Net investment in Capital Assets	Debt Service	School Infrastructure	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	56,633	1,010,656	403,871
Capital assets, net of accumulated depreciation	13,094,209	-	-	-
General obligation bond capitalized indebtedness	(5,754,000)	-	-	-
Revenue bond capitalized indebtedness	(1,885,000)	-	-	-
Unspent bond proceeds	159,097	-	(159,097)	-
Accrued interest payable	-	(32,371)	-	-
Income surtax	-	-	-	143,073
Pension related deferred outflows	-	-	-	649,035
Pension related deferred inflows	-	-	-	(175,225)
Net pension liability	-	-	-	(2,729,848)
Total OPEB liability	-	-	-	(272,611)
OPEB related deferred outflows	-	-	-	104,979
OPEB related deferred inflows	-	-	-	(33,805)
Net position (Exhibit A)	<u>\$ 5,614,306</u>	<u>24,262</u>	<u>851,559</u>	<u>(1,910,531)</u>

#### (13) Budget Overexpenditures

Per the Code of Iowa, expenditures may not exceed appropriations at the function level. During the year ended June 30, 2021 expenditures exceeded the amounts budgeted in the support services and other expenditures functions as well as in total.

#### (14) Extraordinary Item

During the year ended June 30, 2021, the District received insurance proceeds from EMC totaling \$298,308 for damage caused by the derecho on August 10, 2020.



**(15) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement will require reporting of certain potentially significant lease liabilities that are not currently reported.

**(16) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Baxter Community School District, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Baxter Community School District. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Baxter Community School District.



## REQUIRED SUPPLEMENTARY INFORMATION

BAXTER COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUND REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,314,272	18,354	3,332,626	3,549,967	3,549,967	(217,341)
State sources	2,645,186	1,661	2,646,847	2,656,329	2,656,329	(9,482)
Federal sources	361,044	211,058	572,102	275,000	275,000	297,102
Total revenues	6,320,502	231,073	6,551,575	6,481,296	6,481,296	70,279
Expenditures/Expenses:						
Instruction	3,588,797	-	3,588,797	3,710,500	3,710,500	121,703
Support services	2,384,348	60	2,384,408	2,332,000	2,332,000	(52,408)
Non-instructional programs	-	194,003	194,003	202,000	202,000	7,997
Other expenditures	1,819,845	-	1,819,845	1,027,357	1,027,357	(792,488)
Total expenditures/expenses	7,792,990	194,063	7,987,053	7,271,857	7,271,857	(715,196)
Deficiency of revenues under expenditures/expenses	(1,472,488)	37,010	(1,435,478)	(790,561)	(790,561)	(644,917)
Other financing sources, net	345,050	-	345,050	-	-	345,050
Deficiency of revenues and other financing sources under expenditures/expenses	(1,127,438)	37,010	(1,090,428)	(790,561)	(790,561)	(299,867)
Balances beginning of year	3,215,416	(61,683)	3,153,733	1,076,579	1,076,579	2,077,154
Balances end of year	\$ 2,087,978	(24,673)	2,063,305	286,018	286,018	1,777,287

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2021

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 comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Custodial Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2021, expenditures in the support services and other expenditures functions exceeded the amounts budgeted as well as in total.

BAXTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST SEVEN YEARS\*  
REQUIRED SUPPLEMENTARY INFORMATION

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.039808%	0.042510%	0.041119%	0.039992%	0.040586%	0.040567%	0.041137%
District's proportionate share of the net pension liability	\$ 2,796,402	2,461,615	2,602,084	2,663,949	2,554,183	2,004,225	1,631,452
District's covered payroll	\$ 3,041,339	3,235,177	3,090,444	2,985,182	2,912,576	2,779,234	2,691,825
District's proportionate share of the net pension liability as a percentage of its covered payroll	91.95%	76.09%	84.20%	89.24%	87.69%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST TEN YEARS  
REQUIRED SUPPLEMENTARY INFORMATION

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 301,263	287,102	305,401	275,977	266,577	260,093	248,186	240,380	218,542	207,330
Contributions in relation to the statutorily required contribution	(301,263)	(287,102)	(305,401)	(275,977)	(266,577)	(260,093)	(248,186)	(240,380)	(218,542)	(207,330)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 3,191,345	3,041,339	3,235,177	3,090,444	2,985,182	2,912,576	2,779,234	2,691,825	2,520,669	2,569,145
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2021

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 dated June 28, 2018:

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

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

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

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.



BAXTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S  
TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES  
FOR THE LAST FOUR YEARS  
REQUIRED SUPPLEMENTARY INFORMATION

	2021	2020	2019	2018
Service cost	\$ 22,303	21,601	22,255	21,555
Interest cost	9,711	8,721	9,328	8,324
Differences between expected and actual experiences	-	(41,102)	-	86,530
Changes in assumptions	-	1,280	-	63,957
Benefit payments	(4,148)	(1,269)	(3,817)	(1,168)
Net change in total OPEB liability	27,866	(10,769)	27,766	179,198
Total OPEB liability beginning of year	257,232	268,001	240,235	61,037
Total OPEB liability end of year	<u>\$ 285,098</u>	<u>257,232</u>	<u>268,001</u>	<u>240,235</u>
Covered-employee payroll	\$ 2,395,865	2,320,450	2,322,145	2,249,051
Total OPEB liability as a percentage of covered-employee payroll	11.90%	11.09%	11.54%	10.68%

**Notes to Schedule of Changes in the District'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, 2021	3.50%
Year ended June 30, 2020	3.50%
Year ended June 30, 2019	3.58%
Year ended June 30, 2018	3.58%
Year ended June 30, 2017	2.50%



## SUPPLEMENTARY INFORMATION

BAXTER COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2021

	Special Revenue		
	Student Activity	Support Trust	Total
<b>Assets</b>			
Cash and pooled investments	\$ 15,606	30,108	45,714
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities	\$ -	-	-
Deferred inflows of resources	-	-	-
Fund balances:			
Student activities	15,606	-	15,606
Support trust purposes	-	30,108	30,108
Total fund balances	15,606	30,108	45,714
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 15,606</b>	<b>30,108</b>	<b>45,714</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2021

	Special Revenue		
	Student Activity	Support Trust	Total
Revenues:			
Local sources:			
Other	\$ 158,409	432	158,841
Expenditures:			
Current:			
Instruction:			
Other	199,507	-	199,507
Change in fund balances	(41,098)	432	(40,666)
Fund balances beginning of year	56,704	29,676	86,380
Fund balances end of year	\$ 15,606	30,108	45,714

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUND ACCOUNTS  
JUNE 30, 2021

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
<b>Assets</b>				
Cash and pooled investments	\$ 824,557	219,794	159,097	1,203,448
Receivables:				
Property tax:				
Delinquent	-	607	-	607
Succeeding year	-	78,800	-	78,800
Due from other governments	27,002	-	-	27,002
<b>Total assets</b>	<b>\$ 851,559</b>	<b>299,201</b>	<b>159,097</b>	<b>1,309,857</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities	\$ -	-	-	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	78,800	-	78,800
Fund balances:				
School infrastructure	851,559	-	159,097	1,010,656
Physical plant and equipment	-	220,401	-	220,401
Total fund balances	851,559	220,401	159,097	1,231,057
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 851,559</b>	<b>299,201</b>	<b>159,097</b>	<b>1,309,857</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUND ACCOUNTS  
 YEAR ENDED JUNE 30, 2021

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	
Revenues:				
Local sources:				
Local tax	\$ -	115,054	-	115,054
Other	-	-	1,713	1,713
State sources	322,136	449	-	322,585
Total revenues	322,136	115,503	1,713	439,352
Expenditures:				
Current:				
Support services:				
Instructional staff	2,315	-	-	2,315
Administration	-	12,232	-	12,232
Operation and maintenance of plant	167,600	114,175	-	281,775
Transportation	899	2,766	-	3,665
Capital outlay	32,596	27,940	887,552	948,088
Total expenditures	203,410	157,113	887,552	1,248,075
Excess (Deficiency) of revenues over (under) expenses	118,726	(41,610)	(885,839)	(808,723)
Other financing sources (uses):				
Transfer in	537,318	16,800	-	554,118
Transfer out	(266,395)	-	(537,318)	(803,713)
Total other financing sources (uses)	270,923	16,800	(537,318)	(249,595)
Change in fund balances	389,649	(24,810)	(1,423,157)	(1,058,318)
Fund balances beginning of year	461,910	245,211	1,582,254	2,289,375
Fund balances end of year	\$ 851,559	220,401	159,097	1,231,057

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2021

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama/speech	\$ 3,253	400	3,653	-
Trivia fund	652	-	652	-
Bolts book club	311	-	120	191
Serv learn environ group	86	-	86	-
Serv learn child dev group	84	-	84	-
FCCLA	1,679	-	-	1,679
History club	525	-	525	-
Serv learn vet appreciation group	90	-	-	90
Stat tech team	1,100	1,240	1,450	890
Music	821	-	419	402
Hasselbrink basketball	685	3,815	3,434	1,066
Slight baseball	-	3,602	3,602	-
Applegate cheer	2,064	364	2,114	314
Aker girls track	476	100	-	576
Athletics	13,918	23,322	37,240	-
Hall of fame	-	200	-	200
Bolts boys basketball	1,936	3,936	5,872	-
Hasselbrink golf	515	400	480	435
Padget basketball	2,944	3,026	2,211	3,759
Morton volleyball	1,025	462	1,487	-
Bolts football	-	27,527	27,527	-
Luther football	-	12,629	9,049	3,580
Amdeo wrestling	927	2,032	2,291	668
Bolts baseball	-	7,491	7,491	-
Berry softball	224	100	324	-
Bucklin baseball	200	-	200	-
Bolts boys track	-	6,856	6,856	-
Russell track	434	479	427	486
Bolts golf	-	1,065	1,065	-
Bolts wrestling	-	3,631	3,631	-
Bruntz softball	6,015	100	6,115	-
Bolts girls basketball	266	9,613	9,879	-
Vaughn cross country	464	1,398	1,214	648
Bolts volleyball	972	6,110	7,082	-
Bolts senior banner	-	484	484	-
Bolts softball	416	6,969	7,385	-
Bolts girls track	-	5,312	5,312	-
Bolts cross country	-	907	907	-
Bolts soccer	-	2,608	2,608	-
Swalwell trust fund	2,805	580	3,385	-
Bolts cheerleading	-	4,913	4,913	-
Drill team	-	526	526	-
Student council	3,780	3,908	7,688	-
Class of 2021	1,476	1,476	2,952	-
Class of 2022	-	2,103	1,481	622
Honor society	-	73	73	-
Art club	1,344	-	1,344	-
Class of 2019	934	-	934	-
Class of 2020	2,594	-	2,594	-
Interest	-	45	45	-
Yearbook	1,689	8,607	10,296	-
Total	\$ 56,704	158,409	199,507	15,606

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



**BAXTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:										
Local sources:										
Local tax	\$ 2,109,942	1,905,167	1,864,033	1,777,662	1,707,113	1,661,957	1,597,265	1,838,331	2,053,584	1,869,511
Tuition	923,961	829,744	868,903	835,657	725,634	616,333	589,795	550,061	446,777	449,299
Other	280,369	386,229	424,626	489,147	281,407	222,168	279,371	249,874	272,899	357,049
State sources	2,645,186	2,437,907	2,479,295	2,577,815	2,658,896	2,604,110	2,575,984	2,509,233	2,332,328	2,445,064
Federal sources	361,044	130,017	184,986	136,895	125,576	129,099	114,488	115,038	134,611	153,541
Total	\$ 6,320,502	5,689,064	5,821,843	5,817,176	5,498,626	5,233,667	5,156,903	5,262,537	5,240,199	5,274,464
Expenditures:										
Instruction:										
Regular	\$ 2,134,333	1,994,948	1,959,955	1,992,494	1,834,853	1,829,602	1,738,732	1,742,403	1,734,857	1,819,644
Special	579,050	461,453	455,051	391,412	377,028	369,651	348,498	363,623	419,456	442,950
Other	875,414	776,027	864,830	915,748	769,994	744,315	774,638	729,703	625,915	670,589
Support services:										
Student	161,920	130,202	102,618	98,904	120,415	105,411	98,531	99,556	133,325	118,322
Instructional staff	169,263	167,744	229,358	122,384	138,129	143,323	123,682	114,243	136,153	120,383
Administration	762,454	772,440	834,482	663,230	657,046	654,903	639,524	596,857	703,539	649,141
Operation and maintenance of plant	1,092,120	647,255	595,052	613,235	663,866	449,461	585,813	448,244	451,130	384,412
Transportation	198,591	131,640	188,559	350,215	235,404	125,698	151,674	199,764	165,099	258,483
Non-instructional programs	-	-	-	-	-	4,962	-	-	-	-
Capital outlay	948,088	6,652,674	972,081	167,394	57,759	47,342	160,924	238,775	108,296	100,442
Long-term debt:										
Principal	466,000	420,000	330,000	260,000	310,000	205,000	275,000	360,000	345,000	300,000
Interest	260,676	253,568	30,345	42,900	58,087	67,313	80,102	96,343	109,565	120,685
Other expenditures:										
AEA flowthrough	145,081	141,976	141,846	143,760	142,453	143,799	144,960	142,777	142,157	143,190
Total	\$ 7,792,990	12,549,927	6,704,177	5,761,676	5,365,034	4,890,780	5,122,078	5,132,288	5,074,492	5,128,241

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
115 North 3rd Avenue West, Newton, Iowa 50208-3218  
Telephone (641) 792-1910

**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 Education of Baxter Community School District:**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Baxter Community School District as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise Baxter Community School District's basic financial statements, and have issued our report thereon dated January 11, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Baxter Community School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Baxter Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Baxter Community School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in Part I of the accompanying Schedule of Findings as item I-A-21 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Baxter Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of non-compliance or other matters which is described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. 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.

### **Baxter Community School District's Responses to Findings**

Baxter Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Baxter Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 11, 2023  
Newton, Iowa

BAXTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2021

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-21     Segregation of Duties

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

Condition - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

- 1) Cash - handling and recording cash, posting and reconciling.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Wire transfers - processing and approving.
- 5) Computer systems - performing all general accounting functions and controlling all data input and output.
- 6) Journal entries - writing, approving, and posting.
- 7) School lunch program - journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

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

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District continues to review and adjust the control procedures to obtain maximum segregation of duties whenever feasible.

Conclusion - Response accepted.

BAXTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2021

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-21 Certified Budget - Expenditures for the year ended June 30, 2021 exceeded the certified budgeted amounts in the support services and other expenditures functions as well as in total.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - The District will ensure an amendment to the budget is done accordingly.
- Conclusion - Response accepted.
- II-B-21 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-21 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-21 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-21 Restricted Donor Activity - No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- II-F-21 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-G-21 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-H-21 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-I-21 Supplementary Weighting - No variances in the supplementary weighting certified to the Iowa Department of Education were noted.
- II-J-21 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-K-21 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-L-21 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.

II-M-21 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted. Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2021, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 461,910
Revenues:		
Sales tax revenues	\$ 322,136	
Transfer from other funds	<u>537,318</u>	<u>859,454</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 4,201	
Equipment	196,894	
Other	2,315	
Transfers to other funds:		
Debt service fund	<u>266,395</u>	<u>469,805</u>
Ending balance		<u>\$ 851,559</u>

For the year ended June 30, 2021, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.