

BAXTER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2023

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Baxter Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Cory Robinson	President	2025
Colette Kunkel	Board Member	2023
Jon Northrup	Board Member	2025
Deborah Meyer	Board Member	2023
Kim Tichy	Board Member	2023
School Officials		
Mickolyn Clapper	Superintendent	2023
Julie McWhirter	Board Secretary/Business Manager	2023
Ahlers & Cooney, P.C.	Attorney	2023

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Baxter Community School District:

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Baxter Community School District as of June 30, 2023 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. general accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Baxter Community School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Baxter Community School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Baxter Community School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Baxter Community School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require 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 and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 15 and 42 through 48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, 2022 (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.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information in Schedules 1 through 6 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 February 11, 2025 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.

February 11, 2025
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2023 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,442,349 in fiscal year 2022 to \$6,163,997 in fiscal year 2023, while General Fund expenditures increased from \$5,668,119 in fiscal year 2022 to \$6,162,785 in fiscal year 2023. This resulted in a slight increase in the District's General Fund balance from \$222,967 at June 30, 2022 to \$224,179 at June 30, 2023.
- The increase in General Fund revenues was mainly attributable to an increase in state source revenues. The increase in expenditures was due primarily to an increase in costs incurred in the regular instruction function.
- The District's total net position increased from \$5,669,808 at June 30, 2022 to \$6,299,132 at June 30, 2023. Total revenues increased from \$7,176,988 in fiscal year 2022 to \$7,814,619 in fiscal year 2023, an 8.88% increase, while total expenses increased from \$6,678,921 in fiscal year 2022 to \$7,185,295 in fiscal year 2023, a 7.58% increase compared to the prior year. The increase in total revenues is due primarily to an increase in revenues from charges for service while the increase in total expenses is occurred largely in the instruction function.

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

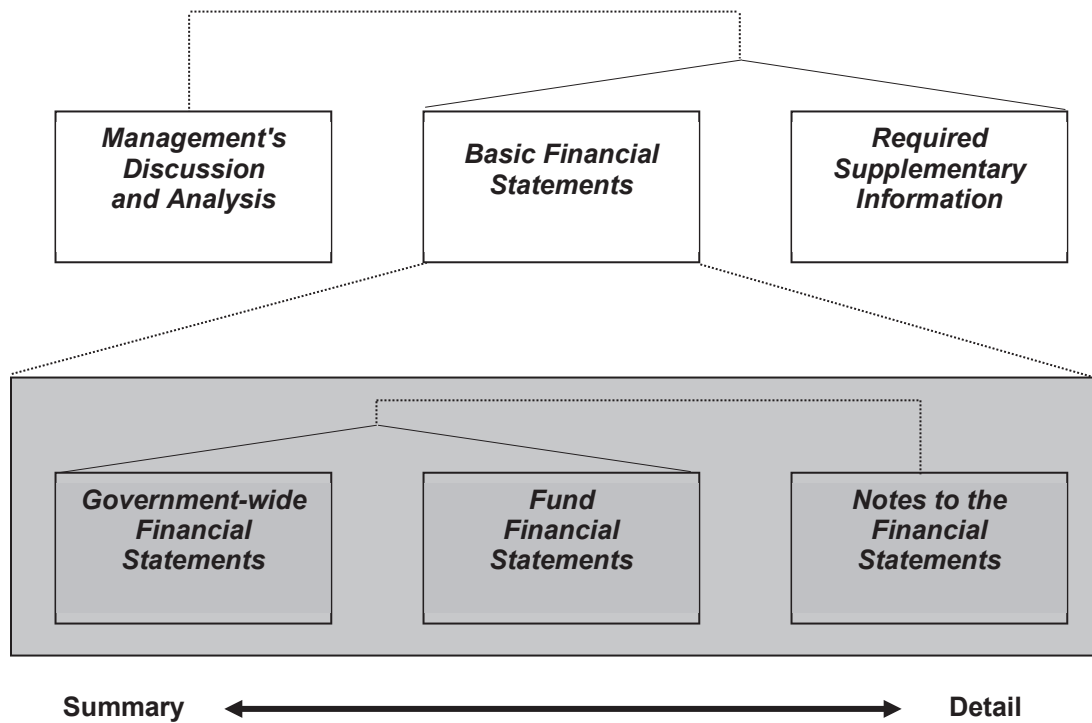


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-Wide and Fund Financial Statements			
	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"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows
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 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, 2023 compared to June 30, 2022.

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,
	2023	2022	2023	2022	2023	2022	2022-23
Current and other assets	\$ 5,048,909	4,641,780	157,930	144,005	5,206,839	4,785,785	8.80%
Capital assets	12,454,396	12,807,349	1,025	1,701	12,455,421	12,809,050	-2.76%
Total assets	17,503,305	17,449,129	158,955	145,706	17,662,260	17,594,835	0.38%
Deferred outflows of resources	676,640	567,615	20,211	17,118	696,851	584,733	19.17%
Long-term liabilities	8,623,812	7,522,892	59,748	13,050	8,683,560	7,535,942	15.23%
Other liabilities	580,777	560,535	19,597	26,836	600,374	587,371	2.21%
Total liabilities	9,204,589	8,083,427	79,345	39,886	9,283,934	8,123,313	14.29%
Deferred inflows of resources	2,765,949	4,329,851	10,096	56,596	2,776,045	4,386,447	-36.71%
Net position:							
Net investment in capital assets	5,798,396	5,651,349	1,025	1,701	5,799,421	5,653,050	2.59%
Restricted	1,669,268	1,594,292	-	-	1,669,268	1,594,292	4.70%
Unrestricted	(1,258,257)	(1,642,175)	88,700	64,641	(1,169,557)	(1,577,534)	-25.86%
Total net position	\$ 6,209,407	5,603,466	89,725	66,342	6,299,132	5,669,808	11.10%

The District's total net position increased 11.10%, or \$629,324, 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 \$74,976, or 4.70%, 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 - increased \$407,977, or 25.86%. This increase in unrestricted net position was primarily a result of the decrease in the District's net pension related deferred inflows of resources.

Figure A-4 shows the changes in net position for the year ended June 30, 2023 compared to the year ended June 30, 2022.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2023	2022	2023	2022	2023	2022	2022-23
Revenues:							
Program revenues:							
Charges for service	\$ 1,337,104	1,155,289	119,321	13,117	1,456,425	1,168,406	24.65%
Operating grants, contributions and restricted interest	648,576	676,767	196,826	334,653	845,402	1,011,420	-16.41%
General revenues:							
Property tax	2,164,695	2,042,863	-	-	2,164,695	2,042,863	5.96%
Income surtax	249,081	199,325	-	-	249,081	199,325	24.96%
Statewide sales, services and use tax	488,731	408,368	-	-	488,731	408,368	19.68%
Unrestricted state grants	2,555,218	2,297,207	-	-	2,555,218	2,297,207	11.23%
Unrestricted investment earnings	31,798	4,360	-	-	31,798	4,360	629.31%
Other	21,243	44,630	2,026	409	23,269	45,039	-48.34%
Total revenues	7,496,446	6,828,809	318,173	348,179	7,814,619	7,176,988	8.88%
Program expenses:							
Instruction	3,915,685	3,448,238	-	-	3,915,685	3,448,238	13.56%
Support services	2,246,910	2,236,661	4,771	919	2,251,681	2,237,580	0.63%
Non-instructional programs	-	-	290,019	256,245	290,019	256,245	13.18%
Other expenses	727,910	736,858	-	-	727,910	736,858	-1.21%
Total expenses	6,890,505	6,421,757	294,790	257,164	7,185,295	6,678,921	7.58%
Change in net position	605,941	407,052	23,383	91,015	629,324	498,067	26.35%
Net position beginning of year	5,603,466	5,196,414	66,342	(24,673)	5,669,808	5,171,741	9.63%
Net position end of year	\$ 6,209,407	5,603,466	89,725	66,342	6,299,132	5,669,808	11.10%

In fiscal year 2023, property tax and unrestricted state grants accounted for 62.96% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 99.36% of business type activities revenues.

The District's total revenues were approximately \$7.81 million, of which approximately \$7.50 million was for governmental activities and approximately \$0.31 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 8.88% increase in revenues and a 7.58% increase in expenses. The increase in total revenues was due primarily to an increase in revenues from charges for service compared to the prior year. The increase in total expenses occurred mainly in the instruction function.

Governmental Activities

Revenues for governmental activities were \$7,496,446 and expenses were \$6,890,505 for the year ended June 30, 2023.

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, 2023 compared to those expenses for the year ended June 30, 2022.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2023	2022	Change 2022-23	2023	2022	Change 2022-23
Instruction	\$ 3,915,685	3,448,238	13.56%	2,298,036	1,872,040	22.76%
Support services	2,246,910	2,236,661	0.46%	2,047,411	2,136,370	-4.16%
Other expenses	727,910	736,858	-1.21%	559,378	581,291	-3.77%
Total	<u>\$ 6,890,505</u>	<u>6,421,757</u>	<u>7.30%</u>	<u>4,904,825</u>	<u>4,589,701</u>	<u>6.87%</u>

For the year ended June 30, 2023:

- The cost financed by users of the District's programs was \$1,337,104.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$648,576.
- The net cost of governmental activities was financed with \$2,164,695 in property tax, \$249,081 in income surtax, \$488,731 in statewide sales, services and use tax, \$2,555,218 in unrestricted state grants, \$31,798 in interest income and \$21,243 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2023 were \$318,173 and expenses were \$294,790. 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 \$1,857,402, above last year's ending fund balances of \$1,765,062. The primary reason for the increase in combined fund balances is the increase in the Capital Projects Fund balance compared to the prior year.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. General Fund revenues increased due primarily to an increase in state source revenues. However, General Fund expenditures also increased due, in part, to increased regular instruction costs. In total, revenues slightly outpaced expenditures causing the General Fund balance to increase from \$222,967, at June 30, 2022, to \$224,179 at June 30, 2023.
- The Capital Projects Fund balance increased from \$1,148,414 at June 30, 2022 to \$1,379,011 at June 30, 2023. Capital outlay expenditures decreased significantly contributing to the increase in fund balance.
- The Debt Service Fund balance increased from \$60,485 at June 30, 2022 to \$84,806 at June 30, 2023. Revenues and expenditures did not vary significantly from the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$66,342 at June 30, 2022 to \$89,725 at June 30, 2023, representing an increase of 35.25%. The increase in net position is due primarily to an increase in charges for service revenues compared to the prior year.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$793,248 more than budgeted revenues, a variance of 11.34%. The most significant variance resulted from the District receiving more from local 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 instruction and non-instructional programs functional areas exceeded the amounts budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the District had invested \$12,455,421, 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 a decrease of 2.76% 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 \$382,022.

The original cost of the District's capital assets was \$17,593,181. Governmental funds accounted for \$17,525,892 with the remaining \$67,289 accounted for in the Enterprise, 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 \$12,051,024 at June 30, 2023, compared to \$12,369,901 at June 30, 2022. The decrease resulted primarily from annual depreciation expense.

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2023	2022	2023	2022	2023	2022	2022-23
Land	\$ 105,602	105,602	-	-	105,602	105,602	0.00%
Buildings	12,051,024	12,369,901	-	-	12,051,024	12,369,901	-2.58%
Land improvements	151,938	167,362	-	-	151,938	167,362	-9.22%
Machinery and equipment	145,832	164,484	1,025	1,701	146,857	166,185	-11.63%
Total	\$ 12,454,396	12,807,349	1,025	1,701	12,455,421	12,809,050	-2.76%

Long-Term Debt

At June 30, 2023, the District had \$6,656,000 in long-term debt outstanding. This represents a decrease of 6.99% over the last year (see Figure A-7). More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.

- The District had total outstanding general obligation bonds of \$5,206,000 at June 30, 2023, payable from the Debt Service Fund.
- The District had total outstanding revenue bonds of \$1,450,000 at June 30, 2023, payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District.

Figure A-7 Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2023	2022	2022-23
General obligation bonds	\$ 5,206,000	5,486,000	-5.10%
Revenue bonds	1,450,000	1,670,000	-13.17%
Total	<u>\$ 6,656,000</u>	<u>7,156,000</u>	<u>-6.99%</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, 2023

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,014,854	155,361	2,170,215
Receivables:			
Property tax:			
Delinquent	13,387	-	13,387
Succeeding year	2,431,515	-	2,431,515
Income surtax	207,388	-	207,388
Due from other governments	381,765	-	381,765
Inventories	-	2,569	2,569
Capital assets not being depreciated	105,602	-	105,602
Capital assets, net of accumulated depreciation	12,348,794	1,025	12,349,819
Total assets	17,503,305	158,955	17,662,260
Deferred Outflows of Resources			
Pension related deferred outflows	562,553	15,963	578,516
OPEB related deferred outflows	114,087	4,248	118,335
Total deferred outflows of resources	676,640	20,211	696,851
Liabilities			
Accounts payable	21,462	-	21,462
Salaries and benefits payable	531,142	14,387	545,529
Accrued interest payable	28,173	-	28,173
Unearned revenue	-	5,210	5,210
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	293,000	-	293,000
Revenue bonds	225,000	-	225,000
Portion due after one year:			
General obligation bonds	4,913,000	-	4,913,000
Revenue bonds	1,225,000	-	1,225,000
Net pension liability	1,625,064	46,985	1,672,049
Total OPEB liability	342,748	12,763	355,511
Total liabilities	9,204,589	79,345	9,283,934
Deferred Inflows of Resources			
Succeeding year property tax revenue	2,431,515	-	2,431,515
Pension related deferred inflows	283,303	8,192	291,495
OPEB related deferred inflows	51,131	1,904	53,035
Total deferred inflows of resources	2,765,949	10,096	2,776,045
Net Position			
Net investment in capital assets	5,798,396	1,025	5,799,421
Restricted for:			
Categorical funding	64,218	-	64,218
Debt service	56,633	-	56,633
Management levy purposes	114,243	-	114,243
Student activities	25,055	-	25,055
Support trust purposes	30,108	-	30,108
School infrastructure	1,065,619	-	1,065,619
Physical plant and equipment	313,392	-	313,392
Unrestricted	(1,258,257)	88,700	(1,169,557)
Total net position	\$ 6,209,407	89,725	6,299,132

SEE NOTES TO FINANCIAL STATEMENTS.

**BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,270,509	818,541	87,681	-	(1,364,287)	-
Special	681,084	260,661	63,507	-	(356,916)	-
Other	964,092	229,278	157,981	-	(576,833)	-
	3,915,685	1,308,480	309,169	-	(2,298,036)	-
Support services:						
Student	248,504	7,995	71,164	-	(169,345)	-
Instructional staff	262,521	-	61,231	-	(201,290)	-
Administration	747,440	-	-	-	(747,440)	-
Operation and maintenance of plant	739,118	20,629	5,127	-	(713,362)	-
Transportation	249,327	-	33,353	-	(215,974)	-
	2,246,910	28,624	170,875	-	(2,047,411)	-
Long-term debt interest	225,077	-	-	-	(225,077)	-
Other expenditures:						
AEA flowthrough	168,532	-	168,532	-	-	-
Depreciation (unallocated)*	334,301	-	-	-	(334,301)	-
	502,833	-	168,532	-	(334,301)	-
Total governmental activities	6,890,505	1,337,104	648,576	-	(4,904,825)	-
Business type activities:						
Support services:						
Instructional staff	3,605	-	-	-	-	(3,605)
Administration	261	-	-	-	-	(261)
Operation and maintenance of plant	905	-	-	-	-	(905)
	4,771	-	-	-	-	(4,771)
Non-instructional programs:						
Food service operations	290,019	119,321	196,826	-	-	26,128
Total business type activities	294,790	119,321	196,826	-	-	21,357
Total	\$ 7,185,295	1,456,425	845,402	-	(4,904,825)	21,357
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,619,535	-	1,619,535
Debt service				465,141	-	465,141
Capital outlay				80,019	-	80,019
Income surtax				249,081	-	249,081
Statewide sales, services and use tax				488,731	-	488,731
Unrestricted state grants				2,555,218	-	2,555,218
Unrestricted investment earnings				31,798	-	31,798
Other				21,243	2,026	23,269
Total general revenues				5,510,766	2,026	5,512,792
Change in net position				605,941	23,383	629,324
Net position beginning of year				5,603,466	66,342	5,669,808
Net position end of year				\$ 6,209,407	89,725	6,299,132

* 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, 2023

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 420,074	1,343,900	81,958	168,922	2,014,854
Receivables:					
Property tax:					
Delinquent	9,565	490	2,848	484	13,387
Succeeding year	1,645,198	84,177	464,440	237,700	2,431,515
Income surtax	161,302	46,086	-	-	207,388
Due from other governments	347,144	34,621	-	-	381,765
Total assets	\$ 2,583,283	1,509,274	549,246	407,106	5,048,909
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 21,462	-	-	-	21,462
Salaries and benefits payable	531,142	-	-	-	531,142
Total liabilities	552,604	-	-	-	552,604
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,645,198	84,177	464,440	237,700	2,431,515
Income surtax	161,302	46,086	-	-	207,388
Total deferred inflows of resources	1,806,500	130,263	464,440	237,700	2,638,903
Fund balances:					
Restricted for:					
Categorical funding	64,218	-	-	-	64,218
Debt service	-	-	84,806	-	84,806
Management levy purposes	-	-	-	114,243	114,243
Student activities	-	-	-	25,055	25,055
Support trust purposes	-	-	-	30,108	30,108
School infrastructure	-	1,065,619	-	-	1,065,619
Physical plant and equipment	-	313,392	-	-	313,392
Unassigned	159,961	-	-	-	159,961
Total fund balances	224,179	1,379,011	84,806	169,406	1,857,402
Total liabilities, deferred inflows of resources and fund balances	\$ 2,583,283	1,509,274	549,246	407,106	5,048,909

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balances of governmental funds (page 20)	\$ 1,857,402
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,454,396
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.	207,388
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 governmental funds.	(28,173)
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	\$ 676,640
Deferred inflows of resources	<u>(334,434)</u>
	342,206
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>(8,623,812)</u>
Net position of governmental activities (page 18)	<u><u>\$ 6,209,407</u></u>

BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,713,257	129,585	465,141	79,761	2,387,744
Tuition	1,058,465	-	-	-	1,058,465
Other	83,663	1,645	19,885	226,487	331,680
State sources	2,850,470	488,753	127	22	3,339,372
Federal sources	353,153	-	-	-	353,153
Total revenues	6,059,008	619,983	485,153	306,270	7,470,414
Expenditures:					
Current:					
Instruction:					
Regular	2,441,246	6,376	-	35,417	2,483,039
Special	709,184	-	-	-	709,184
Other	766,995	-	-	217,272	984,267
	3,917,425	6,376	-	252,689	4,176,490
Support services:					
Student	239,047	-	-	-	239,047
Instructional staff	259,501	8,258	-	-	267,759
Administration	826,965	4,716	-	12,825	844,506
Operation and maintenance of plant	565,032	32,225	-	185,900	783,157
Transportation	186,283	12,263	-	18,646	217,192
	2,076,828	57,462	-	217,371	2,351,661
Capital outlay	-	59,153	-	-	59,153
Long-term debt:					
Principal	-	-	500,000	-	500,000
Interest and fiscal charges	-	-	227,227	-	227,227
	-	-	727,227	-	727,227
Other expenditures:					
AEA flowthrough	168,532	-	-	-	168,532
Total expenditures	6,162,785	122,991	727,227	470,060	7,483,063
Excess (Deficiency) of revenues over (under) expenditures	(103,777)	496,992	(242,074)	(163,790)	(12,649)
Other financing sources (uses):					
Insurance proceeds	104,488	-	-	-	104,488
Proceeds from the sale of equipment	501	-	-	-	501
Transfer in	-	-	266,395	-	266,395
Transfer out	-	(266,395)	-	-	(266,395)
Total other financing sources (uses)	104,989	(266,395)	266,395	-	104,989
Change in fund balances	1,212	230,597	24,321	(163,790)	92,340
Fund balances beginning of year	222,967	1,148,414	60,485	333,196	1,765,062
Fund balances end of year	\$ 224,179	1,379,011	84,806	169,406	1,857,402

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, 2023

Change in fund balances - total governmental funds (page 22) \$ 92,340

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	\$ 28,393	
Depreciation expense	<u>(381,346)</u>	(352,953)

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.	26,032
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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.	500,000
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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.	2,150
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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.	357,512
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Some expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Pension expense	18,351	
Total OPEB liability and related expenses	<u>(37,491)</u>	<u>(19,140)</u>

Change in net position of governmental activities (page 19)	<u>\$ 605,941</u>
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BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023

	Enterprise, School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 155,361
Inventories	2,569
Total current assets	157,930
Noncurrent assets:	
Capital assets, net of accumulated depreciation	1,025
Total assets	158,955
Deferred Outflows of Resources	
Pension related deferred outflows	15,963
OPEB related deferred outflows	4,248
Total deferred outflows of resources	20,211
Liabilities	
Current liabilities:	
Salaries and benefits payable	14,387
Unearned revenue	5,210
Total current liabilities	19,597
Noncurrent liabilities:	
Net pension liability	46,985
Total OPEB liability	12,763
Total noncurrent liabilities	59,748
Total liabilities	79,345
Deferred Inflows of Resources	
Pension related deferred inflows	8,192
OPEB related deferred inflows	1,904
Total deferred inflows of resources	10,096
Net Position	
Net investment in capital assets	1,025
Unrestricted	88,700
Total net position	\$ 89,725

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, 2023

	<u>Enterprise, School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 119,321
Miscellaneous	2,026
Total operating revenues	<u>121,347</u>
Operating expenses:	
Support services:	
Instructional staff:	
Other	3,605
Administration:	
Services	261
Operation and maintenance of plant:	
Services	905
Total support services	<u>4,771</u>
Non-instructional programs:	
Food service operations:	
Salaries	97,992
Benefits	35,394
Supplies	155,927
Depreciation	676
Other	30
Total non-instructional programs	<u>290,019</u>
Total operating expenses	<u>294,790</u>
Operating loss	<u>(173,443)</u>
Non-operating revenues:	
State sources	1,949
Federal sources	194,877
Total non-operating revenues	<u>196,826</u>
Change in net position	23,383
Net position beginning of year	<u>66,342</u>
Net position end of year	<u>\$ 89,725</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 119,321
Cash received from miscellaneous	2,026
Cash payments to employees for services	(134,988)
Cash payments to suppliers for goods or services	(119,287)
Net cash used in operating activities	(132,928)
Cash flows from non-capital financing activities:	
State grants received	1,949
Federal grants received	151,330
Net cash provided by non-capital financing activities	153,279
Net increase in cash and pooled investments	20,351
Cash and pooled investments beginning of year	135,010
Cash and pooled investments end of year	\$ 155,361
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (173,443)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	35,015
Depreciation	676
Change in assets and liabilities:	
Inventories	6,426
Salaries and benefits payable	1,293
Net pension liability	45,596
Deferred outflows of resources	(3,093)
Deferred inflows of resources	(46,500)
Total OPEB liability	1,102
Net cash used in operating activities	\$ (132,928)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2023, the District received \$35,015 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(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 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, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2022.

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 (except for intangible right-to-use lease assets, the measurement of which is discussed under "Leases" below) 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. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. 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

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment and the right-to-use leased 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+ 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 and deferred inflows 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 and succeeding year property tax receivables that will not be recognized until the year for which it is levied.

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, 2023, expenditures exceeded the amounts budgeted in the instruction and non-instructional programs functions.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2023 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, 2023, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) Direct Government Obligations Portfolio which are valued at an amortized cost of \$41,026 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, 2023 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 105,602	-	-	105,602
Capital assets being depreciated:				
Buildings	16,066,655	-	-	16,066,655
Land improvements	488,233	-	-	488,233
Machinery and equipment	837,009	28,393	-	865,402
Total capital assets being depreciated	17,391,897	28,393	-	17,420,290
Less accumulated depreciation for:				
Buildings	3,696,754	318,877	-	4,015,631
Land improvements	320,871	15,424	-	336,295
Machinery and equipment	672,525	47,045	-	719,570
Total accumulated depreciation	4,690,150	381,346	-	5,071,496
Total capital assets being depreciated, net	12,701,747	(352,953)	-	12,348,794
Governmental activities capital assets, net	\$ 12,807,349	(352,953)	-	12,454,396
Business type activities:				
Machinery and equipment	\$ 67,289	-	-	67,289
Less accumulated depreciation	65,588	676	-	66,264
Business type activities capital assets, net	\$ 1,701	(676)	-	1,025

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Other	\$ 4,089
Support services:	
Administration	2,839
Operation and maintenance of plant	1,732
Transportation	38,385
	47,045
Unallocated depreciation	334,301
Total governmental activities depreciation expense	\$ 381,346
Business type activities:	
Food service operations	\$ 676

(4) Interfund Transfers

The detail of the transfer for the year ended June 30, 2023 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 266,395

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.

(5) Implementation of Accounting Standard

Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) was implemented during fiscal year 2023, however, implementation had no effect on the District for the year ended June 30, 2023.

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2023 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,486,000	-	280,000	5,206,000	293,000
Revenue bonds	1,670,000	-	220,000	1,450,000	225,000
Net pension liability	53,735	1,571,329	-	1,625,064	-
Total OPEB liability	313,157	29,591	-	342,748	-
Total	<u>\$ 7,522,892</u>	<u>1,600,920</u>	<u>500,000</u>	<u>8,623,812</u>	<u>518,000</u>
Business type activities:					
Net pension liability	\$ 1,389	45,596	-	46,985	-
Total OPEB liability	11,661	1,102	-	12,763	-
Total	<u>\$ 13,050</u>	<u>46,698</u>	<u>-</u>	<u>59,748</u>	<u>-</u>

General Obligation Bonds

Details of the District's June 30, 2023 general obligation indebtedness are as follows:

Year Ending June 30,	Bond Issue June 4, 2019			Bond Issue June 3, 2020			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
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	4.00	275,000	133,550	-	-	-	275,000	133,550	408,550
2028	3.00	285,000	122,550	-	-	-	285,000	122,550	407,550
2029-2033	3.00	1,575,000	478,500	-	-	-	1,575,000	478,500	2,053,500
2034-2038	3.00	1,825,000	227,250	-	-	-	1,825,000	227,250	2,052,250
2039	3.00	400,000	12,000	-	-	-	400,000	12,000	412,000
Total		<u>\$ 5,125,000</u>	<u>1,438,950</u>		<u>\$ 81,000</u>	<u>3,462</u>	<u>5,206,000</u>	<u>1,442,412</u>	<u>6,648,412</u>

Revenue Bonds

Details of the District's June 30, 2023 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
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	2.64	245,000	19,932	264,932
2028	2.64	250,000	13,464	263,464
2029	2.64	260,000	6,864	266,864
Total		<u>\$ 1,450,000</u>	<u>137,148</u>	<u>1,587,148</u>

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 54% of the statewide sales, service and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,587,148. For the current year \$220,000 in principal and \$44,088 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$488,731.

(7) 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.

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 2023, 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, 2023 were \$367,546.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the District reported a liability of \$1,672,049 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2022, the District's proportion was 0.044256%, which was an increase of 0.028288% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$12,609. At June 30, 2023, 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	\$ 74,122	22,903
Changes of assumptions	1,419	40
Net difference between projected and actual earnings on IPERS' investments	-	178,987
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	135,429	89,565
District contributions subsequent to the measurement date	367,546	-
Total	<u>\$ 578,516</u>	<u>291,495</u>

\$367,546 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2024	\$ (152,056)
2025	(121,487)
2026	(210,853)
2027	389,683
2028	14,188
Total	<u>\$ (80,525)</u>

There were no non-employer contributing entities at IPERS.

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

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of 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%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
Total	100.0%	

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	\$ 3,115,228	1,672,049	400,211

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.

(8) 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 July 1, 2021, the following employees were covered by the benefit terms:

Active employees

49

Total OPEB Liability - The District's total OPEB liability of \$355,511 was measured as of June 30, 2023 and was determined by an actuarial valuation dated July 1, 2021.

Actuarial Assumptions - The total OPEB liability in the July 1, 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	2.14% compounded annually, including inflation.
Healthcare cost trend rate	6.75% for FY2023, decreasing to an ultimate rate of 5.00%.

Discount Rate - The discount rate used to measure the total OPEB liability was 2.14% 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-2021 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	\$ 324,818
Changes for the year:	
Service cost	27,788
Interest	7,497
Benefit payments	<u>(4,592)</u>
Net changes	<u>30,693</u>
Total OPEB liability end of year	<u>\$ 355,511</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 (1.14%) or 1% higher (3.14%) than the current discount rate.

	1% Decrease (1.14%)	Discount Rate (2.14%)	1% Increase (3.14%)
Total OPEB liability	\$ 389,296	355,511	324,343

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 (5.75%) or 1% higher (7.75%) than the current healthcare cost trend rates.

	1% Decrease (5.75%)	Healthcare Cost Trend Rate (6.75%)	1% Increase (7.75%)
Total OPEB liability	\$ 310,670	355,511	409,470

OPEB Expense and Deferred Outflows of Resources Related to OPEB - For the year ended June 30, 2023, the District recognized OPEB expense of \$43,480. At June 30, 2023, the District reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,476	53,035
Changes in assumptions	67,859	-
Total	<u>\$ 118,335</u>	<u>53,035</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
2024	\$ 8,195
2025	8,195
2026	8,195
2027	8,195
2028	8,195
Thereafter	<u>24,325</u>
Total	<u>\$ 65,300</u>

(9) 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 \$168,532 for the year ended June 30, 2023 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditures

Per the Code of Iowa, expenditures may not exceed appropriations at the function level. During the year ended June 30, 2023 expenditures exceeded the amounts budgeted in the instruction and non-instructional programs functions.

(11) 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, 2023 were \$456,272.

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.

(12) 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, 2023 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>\$ 7,835</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, 2023, this reimbursement amounted to \$3,265.

(13) Categorical Funding

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

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

Program	Amount
Gifted and Talented Programs	\$ 4,629
Four-Year-Old Preschool State Aid	43,136
Successful Progression for Early Readers	16,453
Total	<u>\$ 64,218</u>

(14) 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	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	84,806	159,961
Capital assets, net of accumulated depreciation	12,454,396	-	-
General obligation bond capitalized indebtedness	(5,206,000)	-	-
Revenue bond capitalized indebtedness	(1,450,000)	-	-
Accrued interest payable	-	(28,173)	-
Income surtax	-	-	207,388
Pension related deferred outflows	-	-	562,553
Pension related deferred inflows	-	-	(283,303)
Net pension liability	-	-	(1,625,064)
Total OPEB liability	-	-	(342,748)
OPEB related deferred outflows	-	-	114,087
OPEB related deferred inflows	-	-	(51,131)
Net position (Exhibit A)	<u>\$ 5,798,396</u>	<u>56,633</u>	<u>(1,258,257)</u>

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, 2023

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,777,889	121,347	3,899,236	3,534,170	3,534,170	365,066
State sources	3,339,372	1,949	3,341,321	3,186,169	3,186,169	155,152
Federal sources	353,153	194,877	548,030	275,000	275,000	273,030
Total revenues	7,470,414	318,173	7,788,587	6,995,339	6,995,339	793,248
Expenditures/Expenses:						
Instruction	4,176,490	-	4,176,490	3,720,500	3,720,500	(455,990)
Support services	2,351,661	4,771	2,356,432	3,132,000	3,132,000	775,568
Non-instructional programs	-	290,019	290,019	205,000	205,000	(85,019)
Other expenditures	954,912	-	954,912	1,110,082	1,110,082	155,170
Total expenditures/expenses	7,483,063	294,790	7,777,853	8,167,582	8,167,582	389,729
Excess (Deficiency) of revenues over (under) expenditures/expenses	(12,649)	23,383	10,734	(1,172,243)	(1,172,243)	1,182,977
Other financing sources, net	104,989	-	104,989	-	-	104,989
Excess (Deficiency) of revenues and other financing sources over (under) expenditures/expenses	92,340	23,383	115,723	(1,172,243)	(1,172,243)	1,287,966
Balances beginning of year	1,765,062	66,342	1,831,404	1,525,991	1,525,991	305,413
Balances end of year	\$ 1,857,402	89,725	1,947,127	353,748	353,748	1,593,379

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2023

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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, 2023, expenditures in the instruction and non-instructional programs functional areas exceeded the amounts budgeted.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.044256%	0.015968%	0.039808%	0.042510%	0.041119%	0.039992%	0.040586%	0.040567%	0.041137%
District's proportionate share of the net pension liability	\$ 1,672,049	55,124	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	\$ 3,564,364	3,191,345	3,041,335	3,235,180	3,090,448	2,985,185	2,912,576	2,779,239	2,691,825
District's proportionate share of the net pension liability as a percentage of its covered payroll	46.91%	1.73%	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	91.40%	100.81%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 367,546	336,476	301,263	287,102	305,401	275,977	266,577	260,093	248,186	240,380
Contributions in relation to the statutorily required contribution	(367,546)	(336,476)	(301,263)	(287,102)	(305,401)	(275,977)	(266,577)	(260,093)	(248,186)	(240,380)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 3,893,498	3,564,364	3,191,345	3,041,335	3,235,180	3,090,448	2,985,185	2,912,576	2,779,239	2,691,825
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

The 2018 valuation implemented the following refinements as a result of a demographic assumption 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 AND RELATED RATIOS
FOR THE LAST SIX YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2023	2022	2021	2020	2019	2018
Service cost	\$ 27,788	26,913	22,303	21,601	22,255	21,555
Interest cost	7,497	6,818	9,711	8,721	9,328	8,324
Differences between expected and actual experiences	-	(27,435)	-	(41,102)	-	86,530
Changes in assumptions	-	34,692	-	1,280	-	63,957
Benefit payments	(4,592)	(1,268)	(4,148)	(1,269)	(3,817)	(1,168)
Net change in total OPEB liability	30,693	39,720	27,866	(10,769)	27,766	179,198
Total OPEB liability beginning of year	324,818	285,098	257,232	268,001	240,235	61,037
Total OPEB liability end of year	<u>\$ 355,511</u>	<u>324,818</u>	<u>285,098</u>	<u>257,232</u>	<u>268,001</u>	<u>240,235</u>
Covered-employee payroll	\$ 2,339,473	2,265,833	2,395,865	2,320,450	2,322,145	2,249,051
Total OPEB liability as a percentage of covered-employee payroll	15.20%	14.34%	11.90%	11.09%	11.54%	10.68%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB LIABILITY
YEAR ENDED JUNE 30, 2023

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

The 2022 valuation implemented the following refinements as a result of a new actuarial opinion dated June 30, 2022:

- Changed mortality assumptions to the RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2021 generational projection of future mortality improvement.

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

Year ended June 30, 2023	2.14%
Year ended June 30, 2022	2.14%
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, 2023

	Special Revenue			
	Management Levy	Student Activity	Support Trust	Total
Assets				
Cash and pooled investments	\$ 113,759	25,055	30,108	168,922
Receivables:				
Property tax:				
Delinquent	484	-	-	484
Succeeding year	237,700	-	-	237,700
Total assets	\$ 351,943	25,055	30,108	407,106
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities	\$ -	-	-	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property taxes	237,700	-	-	237,700
Fund balances:				
Restricted for:				
Management levy purposes	114,243	-	-	114,243
Student activities	-	25,055	-	25,055
Support trust purposes	-	-	30,108	30,108
Total fund balances	114,243	25,055	30,108	169,406
Total liabilities, deferred inflows of resources and fund balances	\$ 351,943	25,055	30,108	407,106

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, 2023

	Special Revenue			
	Management Levy	Student Activity	Support Trust	Total
Revenues:				
Local sources:				
Local tax	\$ 79,761	-	-	79,761
Other	-	226,487	-	226,487
State sources	22	-	-	22
Total revenues	79,783	226,487	-	306,270
Expenditures:				
Current:				
Instruction:				
Regular	35,417	-	-	35,417
Other	-	217,272	-	217,272
Support services:				
Administration	12,825	-	-	12,825
Operation and maintenance of plant	185,900	-	-	185,900
Transportation	18,646	-	-	18,646
Total expenditures	252,788	217,272	-	470,060
Change in fund balances	(173,005)	9,215	-	(163,790)
Fund balances beginning of year	287,248	15,840	30,108	333,196
Fund balances end of year	\$ 114,243	25,055	30,108	169,406

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND ACCOUNTS
JUNE 30, 2023

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Assets				
Cash and pooled investments	\$ 989,952	312,902	41,046	1,343,900
Receivables:				
Property tax:				
Delinquent	-	490	-	490
Succeeding year	-	84,177	-	84,177
Income surtax	-	46,086	-	46,086
Due from other governments	34,621	-	-	34,621
Total assets	\$ 1,024,573	443,655	41,046	1,509,274
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities	\$ -	-	-	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	84,177	-	84,177
Income surtax	-	46,086	-	46,086
Total deferred inflows of resources	-	130,263	-	130,263
Fund balances:				
Restricted for:				
School infrastructure	1,024,573	-	41,046	1,065,619
Physical plant and equipment	-	313,392	-	313,392
Total fund balances	1,024,573	313,392	41,046	1,379,011
Total liabilities, deferred inflows of resources and fund balances	\$ 1,024,573	443,655	41,046	1,509,274

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, 2023

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	129,585	-	129,585
Other	-	-	1,645	1,645
State sources	488,731	22	-	488,753
Total revenues	488,731	129,607	1,645	619,983
Expenditures:				
Current:				
Instruction:				
Regular	-	6,376	-	6,376
Support services:				
Instructional staff	5,860	2,398	-	8,258
Administration	1,750	2,966	-	4,716
Operation and maintenance of plant	32,225	-	-	32,225
Transportation	12,263	-	-	12,263
Capital outlay	9,993	7,693	41,467	59,153
Total expenditures	62,091	19,433	41,467	122,991
Excess (Deficiency) of revenues over (under) expenditures	426,640	110,174	(39,822)	496,992
Other financing uses:				
Transfer out	(266,395)	-	-	(266,395)
Change in fund balances	160,245	110,174	(39,822)	230,597
Fund balances beginning of year	864,328	203,218	80,868	1,148,414
Fund balances end of year	\$ 1,024,573	313,392	41,046	1,379,011

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2023

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama/Speech	\$ 952	1,666	1,592	1,026
Academic Decathlon	-	965	965	-
Bolts Book Club	191	-	191	-
FCCLA	1,969	-	-	1,969
Brown Academic Decathlon	-	397	-	397
Stat Tech Team	627	-	627	-
Bartholmey Music	-	1,750	-	1,750
Music	165	690	855	-
Hasselbrink Basketball	1,195	5,815	5,175	1,835
Slight Baseball	2,444	1,195	743	2,896
Applegate Cheer	2,367	8,344	8,067	2,644
Aker Girls Track	1,680	180	1,094	766
Athletics	-	52,754	52,754	-
Hall of Fame	-	767	767	-
Bolts Boys Basketball	-	8,124	8,124	-
Pickett Golf	-	1,160	375	785
Krampe Basketball	-	7,604	7,604	-
Wesselink Volleyball	-	3,295	2,909	386
Bolts Football	-	12,143	12,143	-
Luther Football	-	16,590	14,760	1,830
Amadeo Wrestling	1,606	3,251	4,857	-
Bolts Baseball	-	4,404	4,404	-
Jessen Softball	140	100	240	-
Damman Baseball	190	-	190	-
Bolts Boys Track	-	7,781	7,781	-
Wagner Track	-	2,450	2,450	-
Bolts Golf	-	919	919	-
Bolts Wrestling	-	10,529	10,529	-
Tuhn Softball	-	3,198	3,198	-
Bolts Girls Basketball	-	6,848	6,848	-
Vaughn Cross Country	721	3,063	3,325	459
Bolts Volleyball	-	3,889	3,889	-
Bolts Softball	-	7,329	7,329	-
Bolts Girls Track	-	5,095	5,095	-
Bolts Cross Country	-	976	976	-
Bolts Soccer	-	2,253	2,253	-
Swalwell Trust	-	4,544	-	4,544
Bolts Cheerleading	-	2,377	2,377	-
Drill Team	-	670	670	-
Student Council	-	7,417	7,291	126
Class of 2022	-	119	119	-
Class of 2023	299	10,871	10,695	475
Class of 2024	-	3,840	2,403	1,437
Honor Society	-	40	40	-
Club Art	1,294	-	49	1,245
Interest	-	179	179	-
Yearbook	-	10,906	10,421	485
Total	\$ 15,840	226,487	217,272	25,055

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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues:										
Local sources:										
Local tax	\$ 2,387,744	2,203,905	2,109,942	1,905,167	1,864,033	1,777,662	1,707,113	1,661,957	1,597,265	1,838,331
Tuition	1,058,465	855,295	923,961	829,744	868,903	835,657	725,634	616,333	589,795	550,061
Other	331,680	396,720	280,369	386,229	424,626	489,147	281,407	222,168	279,371	249,874
State sources	3,339,372	2,959,602	2,645,186	2,437,907	2,479,295	2,577,815	2,658,896	2,604,110	2,575,984	2,509,233
Federal sources	353,153	375,004	361,044	130,017	184,986	136,895	125,576	129,099	114,488	115,038
Total	\$ 7,470,414	6,790,526	6,320,502	5,689,064	5,821,843	5,817,176	5,498,626	5,233,667	5,156,903	5,262,537
Expenditures:										
Instruction:										
Regular	\$ 2,483,039	2,331,453	2,134,333	1,994,948	1,959,955	1,992,494	1,834,853	1,829,602	1,738,732	1,742,403
Special	709,184	615,923	579,050	461,453	455,051	391,412	377,028	369,651	348,498	363,623
Other	984,267	909,919	875,414	776,027	864,830	915,748	769,994	744,315	774,638	729,703
Support services:										
Student	239,047	241,630	161,920	130,202	102,618	98,904	120,415	105,411	98,531	99,556
Instructional staff	267,759	154,691	169,263	167,744	229,358	122,384	138,129	143,323	123,682	114,243
Administration	844,506	778,887	762,454	772,440	834,482	663,230	657,046	654,903	639,524	596,857
Operation and maintenance of plant	783,157	759,720	1,092,120	647,255	595,052	613,235	663,866	449,461	585,813	448,244
Transportation	217,192	185,756	198,591	131,640	188,559	350,215	235,404	125,698	151,674	199,764
Non-instructional programs	-	-	-	-	-	-	-	4,962	-	-
Capital outlay	59,153	247,859	948,088	6,652,674	972,081	167,394	57,759	47,342	160,924	238,775
Long-term debt:										
Principal	500,000	483,000	466,000	420,000	330,000	260,000	310,000	205,000	275,000	360,000
Interest	227,227	249,037	260,676	253,568	30,345	42,900	58,087	67,313	80,102	96,343
Other expenditures:										
AEA flowthrough	168,532	155,567	145,081	141,976	141,846	143,760	142,453	143,799	144,960	142,777
Total	\$ 7,483,063	7,113,442	7,792,990	12,549,927	6,704,177	5,761,676	5,365,034	4,890,780	5,122,078	5,132,288

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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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 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, 2023, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 11, 2025.

Report on 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 the 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 were not identified. We identified a certain deficiency in internal control, described in Part I of the accompanying Schedule of Findings as item 2023-001 that we consider to be a material weakness.

Report on 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 which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters which are 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, 2023 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

Government Auditing Standards requires the auditor to perform limited procedure on Baxter Community School District's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. Baxter Community School District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

February 11, 2025
Newton, Iowa

BAXTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2023

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

2023-001 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody, and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the 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 and Corrective Action Planned - The district continues to practice and re-evaluate segregation of duties including the following areas:

- 1) Cash - handling and recording cash, posting and reconciling: Any cash handling is done at the elementary and secondary offices. Any cash amounts turned into the office(s) must be documented by the person(s) turning into the office. The secretaries verify the cash with the documentation provided; and

deposit the cash to the bank accounts. The business manager inputs the deposit(s) and reconciles the deposit(s) in the accounting software. Therefore, from inception to completion a minimum of three individuals have verified the cash received.

2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling: Similar to the cash handling, the elementary and secondary office secretaries perform the collecting, verification of funds received with the documentation provided, and depositing while the business manager posts and reconciles in the accounting software. Therefore, from inception to completion a minimum of three individuals have verified the receipts.

3) Disbursements - purchase order processing, check preparation, mailing and recording: The district has moved to an electronic purchase order process beginning in 2023-24. In most cases, purchase orders are approved by an immediate supervisor and by the superintendent in the remaining cases where department heads are completing the purchase orders, the superintendent only approves.

4) Wire transfers - processing and approving: The only wire transfers done are to employees 403(b) State Plans, therefore documented and verified by each employee who elects to participate.

5) Computer systems - performing all general accounting functions and controlling all data input and output: While the business manager is the only individual to input and output the accounting functions, several various individuals, including district auditors, review and verify data.

6) Journal entries - writing, approving, and posting: The superintendent approves the journal entries made by the business manager.

7) School lunch program - journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording: School lunch program purchase orders are handled as indicated above. Written checks are verified and matched to invoices that were previously matched to the purchase orders by one of the secretaries. Additionally, in no case does the business manager mail checks.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

2023-A Certified Budget - Expenditures for the year ended June 30, 2023 exceeded the certified budgeted amounts in the instruction and non-instructional programs functions.

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.

2023-B 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.

2023-C 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.

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

- 2023-E 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.
- 2023-F 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.
- 2023-G Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- 2023-H Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- 2023-I Supplementary Weighting - We noted the supplementary weighting data certified to the Iowa Department of Education was understated by 0.052.
- Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.
- Conclusion - Response accepted.
- 2023-J 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.
- 2023-K 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.
- 2023-L Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- 2023-M 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, 2023, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 864,328
Revenues:		
Sales tax revenues		<u>\$ 488,731</u>
Expenditures/transfers out:		
School infrastructure construction	9,993	
Equipment	31,710	
Other	20,388	
Transfer to the Debt Service Fund	<u>266,395</u>	<u>328,486</u>
Ending balance		<u>\$ 1,024,573</u>

For the year ended June 30, 2023, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.