HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
CRESCO, IOWA

FINANCIAL REPORT

JUNE 30, 2023

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HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	District	Term Expires
Board of Education			
Alison Holten	President	District 1	September 2025
Shirley Sovereign	Vice-President	Director at Large	September 2023
Andy Ludeking	Board Member	District 2	September 2023
Toni Johnson	Board Member	District 3	September 2023
Tom Williams	Board Member	District 4	September 2025
School Officials			
Kris Einck	Superintendent		
Robyn Lane	Business Manager and District Secretary/Treasurer		

Hacker Nelson & Co., CPAs

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Education
Howard-Winneshiek Community School District
Cresco, Iowa

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 the Howard-Winneshiek Community School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as 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 Howard-Winneshiek 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. generally accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Howard-Winneshiek Community School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that 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 the financial statements in accordance with U.S. generally accepted accounting principles, 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 Howard-Winneshiek 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 generally accepted auditing standards 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment 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 Howard-Winneshiek 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Howard-Winneshiek 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

U.S. generally accepted accounting principles require that the 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 5 through 5g and pages 42 through 47 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Howard-Winneshiek Community School District's June 30, 2023 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 years ended June 30, 2018 through 2022 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements.

The supplementary information shown on Schedules 1 through 6, including the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information shown on Schedules 1 through 6, including the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the years ended June 30, 2018 through 2023 basic financial statements as a whole.

The financial statements of Howard-Winneshiek Community School District for the years ended June 30, 2014 through 2017 were audited by other auditors who expressed unmodified opinions on those statements. Their reports on the information presented on page 51 related to the 2014 through 2017 financial statements stated that, in their opinion, such information was fairly stated in all material respects in relation to the 2014 through 2017 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 18, 2024, on our consideration of the Howard-Winneshiek 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 Howard-Winneshiek Community School 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 Howard-Winneshiek Community School District's internal control over financial reporting and compliance.

Hacker, Nelson + Co., CPAs

Decorah, Iowa
January 18, 2024

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
CRESCO, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

Management of the Howard-Winneshiek 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.

The intent of this discussion and analysis is to look at Howard-Winneshiek Community School District's financial performance as a whole with comparisons to the previous fiscal year activities. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

2023 FINANCIAL HIGHLIGHTS

In total, net position increased $4,643,166 or 30.0% from fiscal year 2022. Net position in governmental activities increased $4,637,800, which represented an 31.3% increase from fiscal year 2022. The District's revenues increased 14.4% or approximately $2,786,000, with receiving approximately $1,014,000 in donations for the high school addition and receiving approximately $929,000 from the American Rescue Plan Act. District program expenses increased 10.9% or approximately $1,726,000 with the pension expense increasing approximately $431,000, an increase in interest expense of approximately $144,000, and an increase of facilities acquisition of approximately $359,000. Net position in the business-type activities, which represents the District's food service operations increased $5,366, which represented an 0.8% increase from fiscal year 2022. The increase is less than prior year due to expenses slightly higher from prior year and the revenues were lower than prior year.

General fund revenues (which include the instructional support fund) accounted for $16,987,468 in revenue or 77.3% of all governmental revenues. General fund expenditures (which include the instructional support fund) accounted for $15,742,125 in expenditures or 59.8% of all governmental expenditures.

USING THIS ANNUAL REPORT

These statements are organized so the reader can understand Howard-Winneshiek Community School District as a financial whole or as an entire operating entity. The annual report consists of a series of financial statements, notes to those 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 Howard-Winneshiek 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 services were financed in the short term as well as what remains for future spending. Fund financial statements report Howard-Winneshiek Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. The remaining financial statements provide information about activities for which Howard-Winneshiek 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.

Other supplementary information provides detailed information about the nonmajor funds and compares governmental fund activity to prior years. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the District.

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 programs and services are reported 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 uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

Fund Financial Statements (Continued)

However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds for fiscal year 2023 are the general fund, management levy-special revenue fund, and the statewide sales, services and use tax-capital projects fund.

The District has three 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. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Consequently, the governmental funds 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 the 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 and 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 major proprietary 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 net position and a statement of cash flows.

3) **Fiduciary fund: the District is the trustee, or fiduciary, for assets that belong to others. The District's fiduciary fund is as follows:**

   - **Custodial fund: this is a fund through which the District administers and accounts for certain monies as a fiscal agent.**

   The District is responsible for ensuring the assets reported in the fiduciary fund is used only for its intended purpose and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

   The required financial statements for the fiduciary fund include a statement of fiduciary net position and the statement of changes in fiduciary net position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The District's net position at the end of fiscal year 2023 for governmental activities was $19,465,272 and for business-type activities was $672,026. The following is a summary perspective of the statement of net position of the District for the fiscal years ended June 30, 2023 and 2022.

Condensed Statement of Net Position
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	$ 22,646	$ 26,033	$ 676	$ 946	$ 23,322	$ 26,979
Capital assets	20,796	14,011	308	98	21,104	14,109
Total assets	43,442	40,044	984	1,044	44,426	41,088
Deferred outflows of resources	1,125	1,161	19	12	1,144	1,173
Current liabilities	4,485	4,082	118	73	4,603	4,155
Noncurrent liabilities	11,592	8,724	24	23	11,616	8,747
Total liabilities	16,077	12,806	142	96	16,219	12,902
Deferred inflows of resources	9,025	13,571	189	293	9,214	13,864
Net position:						
Net investment in capital assets	13,274	10,772	308	98	13,582	10,870
Restricted	7,570	6,271			7,570	6,271
Unrestricted (deficit)	(1,379)	(2,215)	364	569	(1,015)	(1,646)
Total net position	$ 19,465	$ 14,828	$ 672	$ 667	$ 20,137	$ 15,495

The District's total net position increased 30.0% or approximately $4,642,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings, equipment and right-to-use 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 approximately $1,299,000 or 20.7%, over the prior year. The increase was primarily a result of an increase in the management levy fund property tax levy for the increase for future early retirement obligations.

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 approximately $631,000 or 38.3%. The increase in unrestricted net position was primarily a result of the decrease in the District's net pension and receiving additional funding from the Education Stabilization Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

As shown below, the following analysis shows the change in net position for the years ended June 30, 2023 and 2022.

Changes in Net Position
(Expressed in Thousands)

	Governmental Activities 2023	Governmental Activities 2022	Business-type Activities 2023	Business-type Activities 2022	Total 2023	Total 2022
REVENUES						
Program revenue:						
Charges for service	$ 695	$ 619	$ 310	$ 97	$ 1,005	$ 716
Operating grants	3,198	3,830	596	888	3,794	4,718
Capital contributions	1,014				1,014	-
General revenue:						
Property taxes	7,969	7,575			7,969	7,575
Sales tax and surtax	1,576	1,355			1,576	1,355
Unrestricted state grants	5,746	5,589			5,746	5,589
American Rescue Plan Act	1,242	313			1,242	313
Unrestricted investment earnings	461	22	23		484	22
Gain on the sale of capital assets	145	(54)			145	(54)
Other revenue	116	126			116	126
Total revenues	22,162	19,375	929	985	23,091	20,360
PROGRAM EXPENSES						
Instruction	10,646	9,695			10,646	9,695
Student support	5,225	4,838			5,225	4,838
Non-instructional programs	25	23	924	797	949	820
Other expenses	1,629	1,243			1,629	1,243
Total expenses	17,525	15,799	924	797	18,449	16,596
Change in net position	4,637	3,576	5	188	4,642	3,764
NET POSITION, beginning of year	14,828	11,252	667	479	15,495	11,731
NET POSITION, end of year	$ 19,465	$ 14,828	$ 672	$ 667	$ 20,137	$ 15,495

In fiscal year 2023, property tax and unrestricted state grants accounted for 61.9% of governmental activities revenues while charges for service and operating grants accounted for 61.2% of business-type activities.

The District's total revenues were approximately $23.1 million, of which approximately $22.2 million was for governmental activities and about $0.9 million was for business-type activities.

As shown above, the District as a whole experienced an 13.4% increase in revenues and an 11.2% increase in expenses. Capital contributions increased approximately $1,014,000 for the construction project and the American Rescue Plan Act increased approximately $929,000. The increase in expenses is primarily related to an increase in pension expense, interest expense due to an increase in outstanding debt and facilities acquisition.

INDIVIDUAL FUND ANALYSIS

The Howard-Winneshiek Community School District uses fund accounting on the modified accrual basis of accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Highlights

As the District completed the year, its governmental funds reported a fund balance of $11,123,110, a $4,163,949 decrease from the 2022 fiscal year end balance of $15,287,059.

- **The general fund revenues increased during fiscal year 2023 for federal sources while expenditures increased slightly over all function areas. The District did receive $1,246,777 of Education Stabilization Fund for the school emergency relief fund program. The ending fund balance showed an increase of $243,440 from the prior year.**

- **The management levy-special revenue fund generated more revenue during fiscal year 2023 from local property taxes. Expenditures increased slightly in support services. The ending fund balance showed an increase of $748,554 from prior year.**

- **The statewide sales, services and use tax-capital projects fund generated more revenue during fiscal year 2023 from Secure an Advanced Vision for Education (SAVE), and donations for the construction project. Expenditures increased during the fiscal year in facilities acquisition due to improvement projects to the various buildings and high school addition. The ending fund balance showed a decrease of $(5,478,854) from the prior year due to the high school addition.**

Proprietary Funds Highlights

The school nutrition fund net position increased from $666,660 at June 30, 2022 to $672,026 at June 30, 2023, representing an increase of approximately 0.8%. Total revenues were lower than the prior year, with an increase of approximately $213,000 in charges for fees and a decrease of approximately $293,000 in non-operating revenues. Operating expenses increased by approximately $127,000, with slight increases in supplies and salaries and benefits.

BUDGETARY HIGHLIGHTS

The District's Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. State statute requires approval of the budget on or before April 15 of each year. The budget document presents functional expenditures by fund and the legal level of control is at the expense level by total instruction, total support services, total non-instructional programs, total other expenditures, and total expenditures. The District amends the budget, as allowed by Iowa law, generally once per year to reflect the additional revenues and expenditures that may occur during the school year. The District adopted a budget amendment in fiscal year 2023.

The District's total revenues were $1,924,972 more than total budgeted revenues, a variance of 9.2%. The most significant variances resulted from the District receiving more in local sources, causing the total amount received to be more than originally anticipated.

Total expenditures were less than budgeted, due to the District's budget for the general fund. It is the District's practice to budget expenditures within the authorized spending authority for the general fund. The District then manages or controls general fund and other 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 exceeded the amounts budgeted in the support services function.

BUDGETARY HIGHLIGHTS (Continued)

The following chart shows the original and final budget for fiscal year 2023 as well as the actual revenues and expenditures for the year.

Budgetary Comparison Schedule
(Expressed in Thousands)

	Actual Basis	Budgeted Amounts Original	Final	Variance
Revenues:				
Local sources	$ 10,237	$ 8,781	$ 8,781	$ 1,456
State sources	9,689	9,713	9,713	(24)
Federal sources	2,967	2,474	2,474	493
Total revenues	$ 22,893	$ 20,968	$ 20,968	$ 1,925
Expenditures/Expenses:				
Instruction	$ 11,181	$ 12,310	$ 12,310	$ 1,129
Support services	5,048	4,520	5,020	(28)
Non-instructional programs	897	850	1,050	153
Other expenditures	10,071	10,486	13,486	3,415
Total expenditures/expenses	$ 27,197	$ 28,166	$ 31,866	$ 4,669

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023, the District's governmental activities had invested $20,796,038 (net of accumulated depreciation/amortization) in a broad range of capital assets, including land, buildings, vehicles, technology (including computer equipment), media/audio visual equipment and classroom equipment. The District's governmental activities had depreciation/amortization expense of $923,351 for fiscal year 2023 and total accumulated depreciation/amortization of $14,923,680 as of June 30, 2023. The District's business-type activities had invested $307,623 (net of accumulated depreciation) in capital assets of equipment. The District's business-type activities had depreciation expense of $27,926 for fiscal year 2023 and total accumulated depreciation of $353,662 as of June 30, 2023. More detailed information about capital assets is available in Note 7 to the financial statements. The following chart shows the comparison in capital assets for 2023 and 2022.

Capital Assets (Net of Depreciation)
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	$ 743	$ 743			$ 743	$ 743
Construction in progress	9,930	2,429			9,930	2,429
Land improvements	743	823			743	823
Buildings	7,659	7,992			7,659	7,992
Furniture and equipment	1,667	1,950	$ 308	$ 98	1,975	2,048
Right-to-use assets	54	74			54	74
Total	$ 20,796	$ 14,011	$ 308	$ 98	$ 21,104	$ 14,109

Debt

As of June 30, 2023, the District had $7,730,158 in long-term debt outstanding compared to $8,840,206 from the prior year. More detailed information about the District's long-term debt can be found in Note 8 to the financial statements. The following chart shows the debt comparison between 2023 and 2022.

	Long-term Debt Obligations			
	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Bonds/Capital Loan Notes:				
Tax Revenue Bond	$ 7,900,000		$ 860,000	$ 7,040,000
Other Liabilities:				
Right-to-use agreements	72,460		17,562	54,898
Equipment purchase agreements	791,009		363,545	427,464
Termination benefits	76,737	$ 207,796	76,737	207,796
Total other liabilities	940,206	207,796	457,844	690,158
Total long-term debt	$ 8,840,206	$ 207,796	$ 1,317,844	$ 7,730,158

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Current Issues

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

- **Declining enrollment has been a challenge for the District. Howard-Winneshiek Community School District is one of the many school districts in the state experiencing a decline in enrollment. Providing students with a 21st century learning experience, nationally recognized for being progressive and innovative, along with actively partnering with locally elected government officials, business and industry, the intent is that these actions will recruit and retain families to the region. It is important to note that the certified enrollment has been declining since 2015 with the exception of 2019 and 2022.**

- **Utilizing Secure an Advanced Vision for Education (SAVE) and Property Plant and Equipment Levy (PPEL) funding, the District is continuously upgrading the physical plant to provide a quality learning experience for students. It is recognized that the physical plant is a contributing factor for families choosing to have their students attend Howard-Winneshiek Community School District. Due to the bond referendum failure, facility projects will be prioritized based on the funds available at the time.**

This financial report is designed to provide the District's citizens, taxpayers, customers, and creditors with a general overview of Howard-Winneshiek Community School 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, please contact Ms. Robyn Lane, Business Manager and District Secretary/Treasurer, Howard-Winneshiek Community School District, 1000 Schroder Drive, Cresco, Iowa, 52136.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	$ 13,563,401	$ 567,300	$ 14,130,701
Receivables:			
Property tax:			
Delinquent	76,853		76,853
Succeeding year	7,544,752		7,544,752
Accounts	47,406	4,626	52,032
Prepaid expenses	44,858		44,858
Due from other governments	956,057	34,894	990,951
Lease receivable, current portion	28,356		28,356
Pledges receivable, less allowance for uncollectible pledges, net of discount	114,202		114,202
Inventories	1,505	22,864	24,369
Lease receivable, less current portion	58,487		58,487
Pledges receivable, less allowance for uncollectible pledges, net of discount	210,571		210,571
Net pension asset		46,758	46,758
Capital assets, non-depreciable	10,673,735		10,673,735
Capital assets, net of accumulated depreciation/amortization	10,122,303	307,623	10,429,926
Total assets	43,442,486	984,065	44,426,551
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	1,013,876	14,298	1,028,174
OPEB related deferred outflows	110,629	4,696	115,325
Total deferred outflows of resources	1,124,505	18,994	1,143,499
Total assets and deferred outflows of resources	$ 44,566,991	$ 1,003,059	$ 45,570,050
LIABILITIES			
Accounts payable	$ 1,892,854	$ 5,247	$ 1,898,101
Salaries and benefits payable	1,559,280	62,849	1,622,129
Interfund payable (receivable)	(32,556)	32,556	-
Unearned revenues	258	17,030	17,288
Accrued interest payable	14,763		14,763
Long-term liabilities:			
Portion due within one year:			
Bonds payable	874,000		874,000
Right-to-use agreements	17,925		17,925
Equipment purchase agreements	89,538		89,538
Termination benefits	69,264		69,264
Portion due after one year:			
Bonds payable	6,166,000		6,166,000
Right-to-use agreements	36,973		36,973
Equipment purchase agreements	337,926		337,926
Termination benefits	138,532		138,532
Net pension liability	3,984,071		3,984,071
Total OPEB liability	927,745	24,327	952,072
Total liabilities	16,076,573	142,009	16,218,582
DEFERRED INFLOWS OF RESOURCES			
Lease related	89,812		89,812
Succeeding year property tax	7,544,752		7,544,752
Pension related deferred inflows	721,779	179,399	901,178
OPEB related deferred outflows	218,681	9,625	228,306
Other	450,122		450,122
Total deferred inflows of resources	9,025,146	189,024	9,214,170
NET POSITION			
Net investment in capital assets	13,273,676	307,623	13,581,299
Restricted for:			
School infrastructure	3,989,496		3,989,496
Management levy purposes	1,465,329		1,465,329
Student activities	283,894		283,894
Physical plant and equipment	965,199		965,199
Categorical funding	856,603		856,603
Other	10,004		10,004
Unrestricted (deficit)	(1,378,929)	364,403	(1,014,526)
Total net position	19,465,272	672,026	20,137,298
Total liabilities, deferred inflows of resources and net position	$ 44,566,991	$ 1,003,059	$ 45,570,050

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions and Programs	Expenses	Charges for Services	Operating Grants	Capital Grants, Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
Instruction:							
Regular	$ 6,255,392	$ 232,535	$ 1,831,388		$ (4,191,469)		$ (4,191,469)
Special	2,436,723	5,109	768,077		(1,663,537)		(1,663,537)
Other	1,953,675	240,907	10,137		(1,702,631)		(1,702,631)
	10,645,790	478,551	2,609,602	$ -	(7,557,637)	$ -	(7,557,637)
Support services:							
Student	530,158	14,237			(515,921)		(515,921)
Instructional staff	620,702				(620,702)		(620,702)
Administration	1,654,821	175,034			(1,479,787)		(1,479,787)
Operation and maintenance plant	1,453,956				(1,453,956)		(1,453,956)
Transportation	965,189	26,726			(938,463)		(938,463)
	5,224,826	215,997	-	-	(5,008,829)	-	(5,008,829)
Non-instructional	25,728	-	-	-	(25,728)	-	(25,728)
Other:							
Long-term debt interest	185,937				(185,937)		(185,937)
Facilities acquisition	417,893			1,014,535	596,642		596,642
AEA flowthrough	588,089		588,089		-		-
Depreciation/amortization (unallocated)*	437,060				(437,060)		(437,060)
	1,628,979	-	588,089	1,014,535	(26,355)	-	(26,355)
Total governmental activities	17,525,323	694,548	3,197,691	1,014,535	(12,618,549)	-	(12,618,549)
BUSINESS-TYPE ACTIVITIES							
Non-instructional programs: nutrition services	891,550	310,231	596,414			15,095	15,095
Total	$ 18,416,873	$ 1,004,779	$ 3,794,105	$ 1,014,535	(12,618,549)	15,095	(12,603,454)
GENERAL REVENUES							
Property taxes levied for:							
General purposes					6,103,311		6,103,311
Management levy purposes					1,200,996		1,200,996
Physical plant and equipment					665,231		665,231
Statewide sales, services and use tax					1,576,052		1,576,052
Unrestricted state grants					5,746,139		5,746,139
American Rescue Plan Act					1,242,080		1,242,080
Unrestricted investment earnings					460,786	23,077	483,863
Gain on sale of capital assets					145,184		145,184
Transfers					32,806	(32,806)	-
Other					83,764		83,764
Total general revenues					17,256,349	(9,729)	17,246,620
Change in net position					4,637,800	5,366	4,643,166
NET POSITION, beginning of year					14,827,472	666,660	15,494,132
NET POSITION, end of year					$ 19,465,272	$ 672,026	$ 20,137,298

*This amount excludes the depreciation/amortization included in the direct expenses of the various programs.

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General	Special Revenue Fund Management Levy	Capital Projects Fund Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and pooled investments	$ 5,844,217	$ 1,451,981	$ 5,031,857	$ 1,217,030	$ 13,545,085
Receivables:					
Property tax:					
Delinquent	60,413	12,465		3,975	76,853
Succeeding year	5,460,533	1,731,458		352,761	7,544,752
Accounts	42,150	1,097	1,645	2,514	47,406
Due from other funds	33,146			7,411	40,557
Due from other governments	619,666	5	111,323	225,063	956,057
Prepaid expenses	6,008			38,850	44,858
Lease receivable	86,843				86,843
Pledges receivable, less allowance for uncollectible pledges, net of discount			324,773		324,773
Inventories	1,505				1,505
Total assets	$ 12,154,481	$ 3,197,006	$ 5,469,598	$ 1,847,604	$ 22,668,689
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 383,421	$ 219	$ 1,480,102	$ 29,112	$ 1,892,854
Salaries and benefits payable	1,559,280				1,559,280
Due to other funds	8,501				8,501
Unearned revenues	258				258
Total liabilities	1,951,460	219	1,480,102	29,112	3,460,893
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	5,460,533	1,731,458		352,761	7,544,752
Lease related	89,812				89,812
Other	225,061			225,061	450,122
Total deferred inflows of resources	5,775,406	1,731,458	-	577,822	8,084,686
Fund balances:					
Nonspendable: prepaid expenses and inventory	7,513			38,850	46,363
Restricted for:					
Categorical funding	856,603				856,603
Management levy purposes		1,465,329			1,465,329
Student activities				274,491	274,491
Physical plant and equipment				927,329	927,329
School infrastructure			3,989,496		3,989,496
Other	10,004				10,004
Unassigned	3,553,495				3,553,495
Total fund balances	4,427,615	1,465,329	3,989,496	1,240,670	11,123,110
Total liabilities, deferred inflows of resources and fund balances	$ 12,154,481	$ 3,197,006	$ 5,469,598	$ 1,847,604	$ 22,668,689

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION		
Total governmental fund balances		$ 11,123,110
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds, net of accumulated depreciation/amortization of: $14,923,680.		20,796,038
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		18,816
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.		(14,763)
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	$ 1,124,505	
Deferred inflows of resources	(940,460)	184,045
Long-term liabilities, including bonds payable and accrued interest, total OPEB liability and net pension liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds:		
Bonds payable	(7,040,000)	
Right-to-use agreements	(54,898)	
Equipment purchase agreements	(427,464)	
Termination benefits	(207,796)	
Net pension liability	(3,984,071)	
Total OPEB liability	(927,745)	(12,641,974)
Net position of governmental activities per Exhibit A		$ 19,465,272

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General	Special Revenue Fund Management Levy	Capital Projects Fund Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local sources:					
Local property tax	$ 6,103,311	$ 1,200,996		$ 665,231	$ 7,969,538
Tuition	246,200				246,200
Other	461,013	29,136	$ 931,387	266,505	1,688,041
State sources	8,108,168	311	1,576,052	99	9,684,630
Federal sources	2,068,776			306,220	2,374,996
Total revenues	16,987,468	1,230,443	2,507,439	1,238,055	21,963,405
EXPENDITURES					
Current:					
Instruction:					
Regular	6,694,914	122,042			6,816,956
Special	2,436,723				2,436,723
Other	1,669,417			258,112	1,927,529
	10,801,054	122,042	-	258,112	11,181,208
Support services:					
Student	530,158				530,158
Instructional staff	419,603	7,036		194,063	620,702
Administration	1,513,285	17,803	41,091	56,326	1,628,505
Operation and maintenance plant	1,115,427	258,296		21,565	1,395,288
Transportation	774,509	66,462	630	31,444	873,045
	4,352,982	349,597	41,721	303,398	5,047,698
Non-instructional	-	5,250	-	-	5,250
Other:					
Long-term debt:					
Principal				1,223,545	1,223,545
Interest and fiscal charges				186,714	186,714
Facilities acquisition			7,967,468	105,372	8,072,840
AEA flowthrough	588,089				588,089
	588,089	-	7,967,468	1,515,631	10,071,188
Total expenditures	15,742,125	476,889	8,009,189	2,077,141	26,305,344
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,245,343	753,554	(5,501,750)	(839,086)	(4,341,939)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	34,452		1,061,059	1,425,070	2,520,581
Operating transfers (out)	(1,036,355)	(5,000)	(1,039,863)	(406,557)	(2,487,775)
Sale of capital assets			1,700	143,484	145,184
	(1,001,903)	(5,000)	22,896	1,161,997	177,990
Change in fund balances	243,440	748,554	(5,478,854)	322,911	(4,163,949)
FUND BALANCES, beginning of year	4,184,175	716,775	9,468,350	917,759	15,287,059
FUND BALANCES, end of year	$ 4,427,615	$ 1,465,329	$ 3,989,496	$ 1,240,670	$ 11,123,110

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances - total governmental funds		$ (4,163,949)
Amounts reported for governmental activities in the statement of activities are different because:		
An internal service fund is used by management to charge the costs of health insurance to individual funds. The change in net position in the internal service fund is reported with governmental activities in the statement of activities.		1,250
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation/amortization expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation/amortization in the current year, as follows:		
Depreciation/amortization	$ (923,351)	
Capital outlays	7,708,614	6,785,263
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		1,241,107
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.		777
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.		810,796
Termination benefits payments, pension and OPEB are expenditures in the governmental funds when paid, but reduce long-term liabilities in the statement of net position and affect the statement of activities as accrued, as follows:		
Termination benefits	(131,059)	
Pension expense	143,061	
OPEB expense	(49,446)	(37,444)
Change in net position of governmental activities per Exhibit B		$ 4,637,800

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	School Nutrition Fund	Internal Service Fund
ASSETS		
CURRENT ASSETS		
Cash	$ 567,300	$ 18,316
Accounts receivable	4,626	
Due from other governments	34,894	
Due from other funds	590	500
Inventories	22,864	
Total current assets	630,274	18,816
NONCURRENT ASSETS		
Net pension asset	46,758	
Furniture and equipment	661,285	
Less accumulated depreciation	(353,662)	
Total noncurrent assets	354,381	-
Total assets	984,655	18,816
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	14,298	
OPEB related deferred outflows	4,696	
Total deferred outflows of resources	18,994	-
Total assets and deferred outflows of resources	$ 1,003,649	$ 18,816
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 5,247	
Salaries and benefits payable	62,849	
Due to other funds	33,146	
Unearned revenues	17,030	
Total current liabilities	118,272	$ -
NONCURRENT LIABILITIES		
Total OPEB liability	24,327	
Total liabilities	142,599	-
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	179,399	
OPEB related deferred inflows	9,625	
	189,024	-
NET POSITION		
Net investment in capital assets	307,623	
Unrestricted	364,403	18,816
Total net position	672,026	18,816
Total liabilities, deferred inflows of resources and net position	$ 1,003,649	$ 18,816

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	School Nutrition Fund	Internal Service Fund
OPERATING REVENUES		
Local sources:		
Charges for services	$ 310,231	$ 21,728
OPERATING EXPENSES		
Non-instructional programs:		
Food service operations:		
Salaries and benefits	341,929	
Purchased services	5,442	
Supplies	516,125	
Depreciation	27,926	
Other	128	20,478
Total operating expenses	891,550	20,478
Operating (loss) income	(581,319)	1,250
NONOPERATING REVENUES		
Interest income	23,077	
State sources	4,745	
Federal sources	591,669	
Total nonoperating revenues	619,491	-
Income before transfers	38,172	1,250
TRANSFER IN	340	
TRANSFER OUT	(33,146)	
	(32,806)	-
Change in net position	5,366	1,250
NET POSITION, beginning of year	666,660	17,566
NET POSITION, end of year	$ 672,026	$ 18,816

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	School Nutrition Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sale of lunches and breakfasts	$ 300,537	
Cash paid to employees for services	(260,826)	
Cash paid to suppliers for goods or services	(458,990)	$ (20,478)
Cash paid on employees' behalf	(91,570)	
Other payments	(5,442)	21,728
Net cash (used in) provided by operating activities	(516,291)	1,250
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer in	(220)	
Increase from due to other funds		(280)
State and federal grants received	496,093	
Net cash provided by (used in) noncapital financing activities	495,873	(280)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(237,264)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	23,077	-
Net (decrease) increase in cash	(234,605)	970
CASH, beginning of year	801,905	17,346
CASH, end of year	$ 567,300	$ 18,316
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:		
Operating (loss) income	$ (581,319)	$ 1,250
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Depreciation	27,926	
Commodities used	66,990	
Change in assets and liabilities:		
Accounts receivable	(3,261)	
Inventories	(12,374)	
Net pension asset	83,430	
Accounts payable	2,519	
Salaries and benefits payable	15,715	
Unearned revenues	(6,433)	
OPEB liability	1,395	
Deferred outflows of resources	(6,904)	
Deferred inflows of resources	(103,975)	
Net cash (used in) provided by operating activities	$ (516,291)	$ 1,250
Non-cash, noncapital financing activities:		
During the year ended June 30, 2023, the District received commodities valued at:	$ 66,990	

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2023

		Custodial Fund
ASSETS		
Cash	$	20,886
Receivables		237
Total assets	$	21,123
LIABILITIES	$	-
NET POSITION		
Held for other organizations		21,123
Total liabilities and net position	$	21,123

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2023

	Custodial Fund
ADDITIONS	
Gifts and contributions	$ 9,809
Miscellaneous	1,051
Total additions	10,860
DEDUCTIONS	
Scholarships	3,895
Miscellaneous	2,044
Total deductions	5,939
Change in net position	4,921
NET POSITION, beginning of year	16,202
NET POSITION, end of year	$ 21,123

See Notes to Financial Statements.

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The Howard-Winneshiek Community School District (the District) is a political subdivision of the State of Iowa. The District's primary purpose is to provide education from grades kindergarten through twelve, including special education and pre-kindergarten. The geographic area served includes the Cities of Cresco, Ridgeway, Lime Springs and Elma, Iowa, and the predominate agricultural territory in Howard and Winneshiek Counties. It is supported financially by local property taxes, state aid and state and federal grants for special projects. The District is governed by a five-member Board of Education whose members are elected on a non-partisan basis. The District has taxing authority and fundraising capabilities of its own. Final approval of the District's annual program and budget plans rests with the local Board of Education.

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

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, Howard-Winneshiek 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; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature or significance of their relationship with the District should be included in the financial statements as component units. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Joint Venture

The District participates in a jointly governed organization that provides services to the District and meets the criteria of a joint venture since there is ongoing financial interest or responsibility by the participating governments. The District is a member of the Northeast Iowa Conference Schools 28E Retention Pool Trust.

Jointly Governed Organizations

The District participates in jointly governed organizations that provide services to the District but does 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 Winneshiek County and Howard County Assessor's Conference Board.

Government-wide Financial Statements

The statement of net position and the statement of activities report information on all of the non-fiduciary 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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, 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, proprietary and fiduciary 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. The general fund, management levy-special revenue fund, and the statewide sales, services and use tax-capital projects fund are the major governmental funds for the District. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The major funds of the financial reporting entity are described below:

Governmental

General Fund

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.

Special Revenue Funds

The special revenue funds are used to account for revenues derived from specific sources which are restricted or committed for expenditure for specific purposes other than debt or capital projects. The major fund in this category is the management levy.

Capital Projects Funds

The capital projects funds are utilized to account for all resources used in the acquisition and construction of capital facilities and other capital assets, with the exception of those that are financed through enterprise funds. The major fund in this category is the statewide sales, services and use tax.

Proprietary Funds

Enterprise Fund

The District's proprietary fund is the school nutrition fund. This fund is used to account for the food service operations of the District.

Internal Service Fund

The flexible benefits fund is used to account for the District's flexible benefits plans.

Fiduciary Fund

Custodial Fund

The District's fiduciary fund, which focuses on net position and changes in net position. The District's fiduciary fund includes the custodial fund which is used to account for assets held by the District as an agent for individuals, private organizations and other governments.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary 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 equipment purchase agreements are reported as other financing sources.

Under the 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's school nutrition fund are charges to customers for sales and services. Operating expenses for the District's school nutrition fund 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 nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

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

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

Cash and Pooled Investments

The District maintains one primary demand deposit account for each fund through which the cash resources are processed. All investment activity is carried on by the District in each individual fund. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at 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 to the County Auditor by April 15 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 1 1/2% 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.

Interfund Transactions

During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2023, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

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

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

Pledges Receivable

Contributions are recognized when the donor makes a promise to give a donation to Howard-Winneshiek Community School District that is in substance, unconditional. Contributions were received to help finance the high school addition.

Howard-Winneshiek Community School District provides an allowance for doubtful accounts, as needed, for pledges deemed uncollectible. This allowance is $4,958 as of June 30, 2023. A discount of 4% is recorded for the net present value of pledges receivable.

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, furniture and equipment and intangibles are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. 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 estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the 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	$ 25,000
Buildings	25,000
Land improvements	25,000
Intangibles	200,000
Right-to-use leased assets	5,000
Furniture and equipment:	
School nutrition fund equipment	500
Other furniture and equipment	5,000

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

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

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

Capital Assets (Continued)

Land and construction in progress are not depreciated. Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	5 - 50
Land improvements	5 - 20
Intangibles	5 - 10
Right-to-use leased assets	2 - 15
Furniture and equipment	3 - 20

Leases - District as Lessee

Howard-Winneshiek Community School District is the lessee for a noncancellable lease of a copier. The District has recognized a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes leases with an initial, individual value of $5,000 or more.

At the commencement of the lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how Howard-Winneshiek Community School District determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

> **Howard-Winneshiek Community School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.**
>
> **The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the District is reasonably certain to exercise.**

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

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

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

Leases - District as Lessor

Howard-Winneshiek Community School District is the lessor for a noncancellable lease of a District building. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Howard-Winneshiek Community School District determines the discount rate it uses to discount the expected lease receipts to present value, lease term and lease receipts.

Howard-Winneshiek Community School District uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2023 was used to calculate the salaries payable.

Unearned Revenues

Proprietary funds defer revenue recognition in connection with resources that have been received, but not earned. Unearned revenues consist primarily of hot lunch proceeds collected for the next school year.

1. <u>Nature of Operations and Significant Accounting Policies (Continued)</u>

b. <u>Significant Accounting Policies (Continued)</u>

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

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

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is to not reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability as of June 30, 2023.

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. Termination benefits liability has been paid primarily by the major governmental management levy fund.

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 and business-type activities will be paid primarily by the general fund and the enterprise fund-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 succeeding year property tax receivable, income surtax and other unavailable receivables.

Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, income surtax and unrecognized items not yet charged to pension and OPEB expense.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

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

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

Fund Balance

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

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

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

Unassigned - is the remaining fund balance, which is not included in other spendable classifications.

Net Position

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/amortization and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position consists of net position with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position. Restricted net position is used first when an expense is incurred for purposes for both restricted and unrestricted net position.

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

Budgets 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 support services function.

Management Estimates

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

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 Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The 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.

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

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2023:

Governmental:	
General fund:	
Open enrollment	$ 80,309
Title I	79,895
Non-public transportation	78,716
Special Education Grants to States	25,672
Supporting Effective Instruction State Grant	4,840
Student Support and Academic Enrichment Program	17,457
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER III)	60,344
Income surtax	225,061
Other	47,372
	619,666
Special revenue funds:	
Management levy	5
Capital projects funds:	
Statewide sales, services and use tax	111,323
Nonmajor governmental	225,063
Total due from other governments	$ 956,057
Business-type activities:	
School nutrition fund	$ 34,894

4. Northeast Iowa Community College Lease Receivable

The District owns the Northeast Iowa Community College Center. The District entered into a four-year lease agreement to rent the building to Northeast Iowa Community College. The District is to receive $30,000 in building rent annually with an imputed rate of 2.1%. The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments following June 30, 2023.

Year Ending June 30,	Total
2024	$ 30,000
2025	30,000
2026	30,000
Total minimum lease payments	90,000
Less amount representing interest	(3,157)
Present value of net minimum lease payments	$ 86,843

5. Unconditional Pledges

Unconditional pledges at June 30, 2023 are as follows:

Receivable in less than one year	$ 123,940
Receivable in one to five years	239,740
Total unconditional promises to give	363,680
Less discounts to net present value	(33,949)
Less allowance for uncollectible pledges	(4,958)
Net unconditional promises to give	$ 324,773
Current unconditional promises to give	$ 114,202
Long-term unconditional promises to give	210,571
Total unconditional promises to give	$ 324,773

6. Interfund Transfers

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

	Transfers In	Transfers Out
General fund	$ 34,452	$ 1,036,355
Special revenue fund:		
Management fund		5,000
Capital projects funds:		
Statewide sales, services and use tax fund	1,061,059	1,039,863
Nonmajor governmental - capital projects funds:		
Student activity	7,411	36,161
Physical plant and equipment levy fund	7,400	370,396
Debt service fund	1,410,259	
Business-type activities:		
Nutrition fund	340	33,146
Total	$ 2,520,921	$ 2,520,921

Transfers from the statewide sales, services and use tax fund and physical plant and equipment levy fund to the debt service fund were to move resources to help pay bond expenses.

Transfers from general fund to the statewide sales, services and use tax fund were to move Education Stabilization Funds to help with improvements to school buildings.

Transfers between the general fund, management fund, and the student activity fund and nutrition fund were to reimburse for payments made.

7. Capital Assets

Capital assets activity for the governmental activities for the year ended June 30, 2023 is as follows.

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Governmental activities:				
Land	$ 743,320			$ 743,320
Construction in progress	2,429,554	$ 7,500,861		9,930,415
Total capital assets not being depreciated	3,172,874	7,500,861	$ -	10,673,735
Capital assets being depreciated:				
Land improvements	2,180,522			2,180,522
Buildings	17,176,662	32,455		17,209,117
Furniture and equipment	5,391,227	175,298		5,566,525
Total capital assets being depreciated	24,748,411	207,753	-	24,956,164
Less accumulated depreciation for:				
Land improvements	1,357,868	80,339		1,438,207
Buildings	9,185,070	365,205		9,550,275
Furniture and equipment	3,440,898	458,687		3,899,585
Total accumulated depreciation	13,983,836	904,231	-	14,888,067
Total capital assets being depreciated, net	10,764,575	(696,478)	-	10,068,097

7. Capital Assets (Continued)

Capital assets activity for the governmental activities for the year ended June 30, 2023 is as follows (continued):

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Intangible right-to-use assets:				
Leased equipment	$ 89,819			$ 89,819
Less accumulated amortization	16,493	$ 19,120		35,613
Intangible right-to-use assets, net	73,326	(19,120)	$ -	54,206
Governmental activities:				
Capital assets, net	$ 14,010,775	$ 6,785,263	$ -	$ 20,796,038

Capital assets activity for the business-type activities for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Business-type activities:				
Furniture and equipment	$ 424,021	$ 237,264		$ 661,285
Less accumulated depreciation	325,736	27,926		353,662
Business-type activities:				
Capital assets, net	$ 98,285	$ 209,338	$ -	$ 307,623

Depreciation/amortization expense was charged to the governmental functions of the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 211,788
Other	48,369
Support services:	
Administration	43,878
Operation and maintenance plant services	58,668
Transportation services	123,588
Unallocated depreciation/amortization	437,060
Total depreciation/amortization expense:	
Governmental activities	$ 923,351
Business-type activities:	
Food services	$ 27,926

8. **Long-term Debt Obligations**

Long-term liability activity for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Governmental activities:					
Bonds:					
Tax revenue bond	$ 7,900,000	$ -	$ 860,000	$ 7,040,000	$ 874,000
Other liabilities:					
Termination benefits	76,737	207,796	76,737	207,796	69,264
Equipment purchase agreements	791,009		363,545	427,464	89,538
Right-to-use agreements	72,460		17,562	54,898	17,925
Total other liabilities	940,206	207,796	457,844	690,158	176,727
Governmental activities: Long-term liabilities	$ 8,840,206	$ 207,796	$ 1,317,844	$ 7,730,158	$ 1,050,727

Bond Indebtedness

$7,040,000 School Infrastructure Sales, Services and Use Tax Revenue Bonds, Series 2022 with principal due June 1, 2024 through December 1, 2030 plus interest monthly with interest rate of the bonds of 2.00% to 2.65%. The local option sales and services tax revenue bonds were issued for the purpose of providing funds for the items listed within the revenue purpose statement.

Interest costs incurred and charged to expenses was $178,644 for the year ended June 30, 2023. A summary of the bond principal and interest maturities is as follows:

Year Ending June 30,	Governmental Activities Tax Revenue Bonds Principal	Interest	Total
2024	$ 874,000	$ 165,244	$ 1,039,244
2025	892,000	147,764	1,039,764
2026	910,000	129,032	1,039,032
2027	930,000	109,012	1,039,012
2028	952,000	87,620	1,039,620
2029-2031	2,482,000	110,408	2,592,408
Total	$ 7,040,000	$ 749,080	$ 7,789,080

The District has pledged future statewide sales, services and use tax revenue to repay the bond issued in April 2022. The bond was issued for the purpose of refinancing the Series 2009 Bond which was issued for the purpose of financing school infrastructure and the construction of a fitness center addition connected to the high school facility and the elementary facility. The bond is payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and is payable through 2031. The bond is 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 bond is expected to require nearly 63% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bond is $7,789,080. For the current year, principal of $860,000 and interest of $179,863 was paid on the bond and total statewide sales, services and use tax revenue was $1,576,052.

8. **Long-term Debt Obligations (Continued)**

Bond Indebtedness (Continued)

The resolution providing for the issuance of the School Infrastructure Sales, Services and Use Tax Revenue Bond, Series 2022 includes the provision that all proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

The District complied with all of the revenue bond provisions during the year ended June 30, 2023.

At June 30, 2023, the debt issued by the District did not exceed its legal debt margin compiled as follows:

Total assessed valuation	$ 881,887,325
Debt limit - 5% of total assessed valuation	$ 44,094,366
Debt applicable to debt limit:	
General obligation:	
Bonded debt outstanding	(7,040,000)
Equipment purchase agreements	(427,464)
Legal debt margin	$ 36,626,902

Termination Benefits

The District offered a voluntary early retirement plan to its certified employees for the year ended June 30, 2020 and 2023. The application for early retirement under the plan was subject to approval by the Board of Education.

2020 Early Retirement Plan

Eligible employees must have completed at least ten years of service to the District and had to be at least age 55 by June 30 in the year of retirement. Termination benefits equal half the employee's contract year gross base wages, less Teacher Salary Supplement. In addition, the retiring employee shall be entitled to payment for any accrued sick leave at the rate of $90 per unused day for licensed employees or $65 per unused day for non-licensed employees.

The policy requires termination benefits be paid in three equal installments beginning in August 2020. The second and third payments will be paid in August 2021 and August 2022, respectively.

2023 Early Retirement Plan

Eligible employees must have completed at least twenty years of service to the District and had to be at least age 55 by June 30 in the year of retirement. Termination benefits for certified employees will be $40,000 stipend, less any lawful deductions. Termination benefits for classified employee's equal half the employee's contract year gross base wages, not including overtime. In addition, the retiring employee shall be entitled to payment for any accrued sick leave at the rate of $90 per unused day for licensed employees or non-licensed employees.

The policy requires termination benefits be paid in three equal installments beginning in August 2023. The second and third payments will be paid in August 2024 and August 2025, respectively.

As of June 30, 2023, the District has obligations to five participants with a total liability of $207,796. Actual termination benefits expenditures for the year ended June 30, 2023 totaled $76,737.

8. **Long-term Debt Obligations (Continued)**

Equipment Purchase Agreements

The District has entered into two purchase agreements for computers. The agreements bear interest at 1.965% and 2.88% Details of the District's purchase agreements principal and interest maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 89,538	$ 5,956	$ 95,494
2025	152,418	7,252	159,670
2026	91,849	3,645	95,494
2027	93,659	1,835	95,494
Total	$ 427,464	$ 18,688	$ 446,152

During the year ended June 30, 2023, principal and interest paid were $363,545 and $6,851, respectively.

Right-to-Use Agreements

On July 1, 2021, the District has entered into a lease agreement for a copier. An initial lease liability was recorded in the amount of $89,819. The agreement requires monthly payments of $1,574 for the years ending June 30, 2022 through 2026, with imputed interest rate of 2.1% and the final payment due June 1, 2026.

The following is a schedule by year of future minimum lease payments following June 30, 2023.

Year Ending June 30,	Principal	Interest	Total
2024	$ 17,925	$ 958	$ 18,883
2025	18,296	587	18,883
2026	18,677	206	18,883
Total	$ 54,898	$ 1,751	$ 56,649

9. **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 informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the 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.

9. Pension Plan (Continued)

Pension Benefits (Continued)

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 totaled $817,402.

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 net pension liability of $3,937,313 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total net 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 0.104213%, which was an increase of 0.146282% from its proportion measured as of June 30, 2021.

9. Pension Plan (Continued)

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

For the year ended June 30, 2023, the District recognized pension expense of $(159,974). 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	$ 174,541	$ 53,931
Changes of assumptions	15,055	11,808
Net difference between projected and actual earnings on IPERS' investments		421,476
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	21,176	413,963
District contributions subsequent to the measurement date	817,402	
Total	$ 1,028,174	$ 901,178

$817,402 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 Ending June 30,	Amount
2024	$ (472,911)
2025	(386,700)
2026	(618,634)
2027	796,241
2028	(8,402)
Total	$ (690,406)

There were no non-employer contributing entities to IPERS.

9. Pension Plan (Continued)

Actuarial Assumptions

The total net 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 geometric 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 net 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 net pension liability.

9. Pension Plan (Continued)

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 (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension liability	$ 7,335,688	$ 3,937,313	$ 942,411

IPERS' Fiduciary Net Position

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

Payables to IPERS

At June 30, 2023, the District had no payables to report for the defined benefit pension plan for legally required District contributions and legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

10. 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 medical and dental plans are eligible to continue healthcare benefits upon retirement after attaining at least age 55. Coverage during retirement continues in the group medical and dental plans up to age 65. The group medical benefits are provided through a fully insured plan with partial self-funding to a lower deductible. Retirees covered by the plan make contributions toward the plan premiums.

Retired participants must be age 55 or older at retirement. At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	178
Total	183

Total OPEB Liability

The District's total OPEB liability of $952,072 was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2021.

10. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2022)	3.00% per annum.
Rates of salary increase (effective June 30, 2022)	3.25% per annum, based on general wage growth assumption of IPERS actuarial valuation.
Discount rate (effective June 30, 2022)	2.14% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2022)	7.00% initial rate decreasing by .25% annually 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.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	$ 888,679
Changes for the year:	
Service cost	69,003
Interest cost	20,218
Benefit payments	(25,828)
Net change	63,393
Total OPEB liability end of year	$ 952,072

Changes of assumptions reflect no change in the discount rate of 2.14% in fiscal year 2022 to fiscal year 2023.

10. **Other Postemployment Benefits (OPEB) (Continued)**

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 that is 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	$ 1,027,594	$ 952,072	$ 880,848

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 what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 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	$ 851,545	$ 952,072	$ 1,069,526

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of $76,390. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ 15,927	$ 228,306
Changes in assumptions	99,398	
Total	$ 115,325	$ 228,306

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

Year Ending June 30,	Amount
2024	$ (12,831)
2025	(12,831)
2026	(12,831)
2027	(12,831)
2028	(12,831)
Thereafter	(48,826)
Total	$ (112,981)

11. Employee Insurance Plan

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the Northeast Iowa Schools Insurance Trust (trust) maintained by Midwest Group Benefits Consultants, Inc. There were three Wellmark Blue Cross/Blue Shield plans offered to the schools. The trust assumes liability for claims on its three plans as follows:

- **Plan 1-between $500 and $6,500 for single coverage and $1,000 and $13,000 for family coverage,**
- **Plan 2-between $1,000 and $7,900 for single coverage and $2,000 and $15,800 for family coverage,**
- **Plan 3-between $2,000 and $6,500 for single coverage and $4,000 and $13,000 for family coverage.**

All plans include coinsurance and plan 2 includes copayments. Claims in excess of the deductible are insured through the purchase of insurance. The District may be contingently liable for any claims in excess of funds available at June 30, 2023, since the pool arrangement allows the trust to make additional assessments to members. The District's share of the trust's liability for any unreported claim or assessment at June 30, 2023 was unavailable as of January 18, 2024. The District's contributions to the trust for the years ended June 30, 2023, 2022, and 2021 were $1,761,985, $1,722,814, and $2,018,795, respectively, which equaled the required contributions each year. The District and employees paid $114,303 and $54,800, respectively, in dental insurance for the year ended June 30, 2023.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2023, no liability has been recorded in the District's financial statements. As of June 30, 2023, settled claims have not exceeded the risk pool or reinsurance company coverage.

12. Risk Management

Howard-Winneshiek Community School 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.

13. 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 $588,089 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.

14. Contingencies

a. Grant Funding

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2023, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

b. Insurance Plan

As discussed in Note 11, the District is contingently liable for any unreported claim or assessment in excess of their balance in the insurance pool.

15. Commitments

The total outstanding construction and other commitments of the District at June 30, 2023 amounted to $1,684,215 and commitments to be reimbursed is $0.

16. 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
Talented and Gifted Program	$ 81,606
Microsoft Settlement Program	32,213
Textbook Aid for Nonpublic Students	1,795
Market Factor	1,916
Market Factor Incentives	1,797
STEM Scale-Up Programs	47
SBRC Modified Supplemental Amount for At-Risk	30,292
Early Intervention Supplement	81,359
Successful Progression for Early Readers	19,446
Home School Assistance Program	2,580
Foster Care/Juvenile Home Advance	14,274
Teacher Leadership	297,004
Teacher Quality	130,981
Professional Development	161,293
Total	$ 856,603

17. Net Position Deficit

The governmental unrestricted fund has a deficit net position as of June 30, 2023. This deficit was incurred due to the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27.*

18. 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.

18. Tax Abatements (Continued)

Tax Abatements of Other Entities

Other entities within the District, including Howard County, provide tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Additionally, the City of Elma offered an urban revitalization tax abatement program pursuant to Chapter 404 of the Code of Iowa. With prior approval by the governing body, this program provides for an exemption of taxes based on a percentage of the actual value added by improvements.

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 Elma	Urban renewal and economic development projects	$ 1,458
Howard County	Urban renewal and economic development projects	$ 68,314

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 $34,893.

19. Subsequent Events

Management has evaluated subsequent events through January 18, 2024, the date on which the financial statements were available to be issued.

Required Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance-Positive (Negative)
REVENUES						
Local sources	$ 9,903,779	$ 333,308	$ 10,237,087	$ 8,780,785	$ 8,780,785	$ 1,456,302
State sources	9,684,630	4,745	9,689,375	9,712,814	9,712,814	(23,439)
Federal sources	2,374,996	591,669	2,966,665	2,474,556	2,474,556	492,109
Total revenues	21,963,405	929,722	22,893,127	20,968,155	20,968,155	1,924,972
EXPENDITURES/EXPENSES						
Instruction	11,181,208		11,181,208	12,309,899	12,309,899	1,128,691
Support services	5,047,698		5,047,698	4,520,483	5,020,483	(27,215)
Non-instructional programs	5,250	891,550	896,800	850,191	1,050,191	153,391
Other expenditures	10,071,188		10,071,188	10,485,622	13,485,622	3,414,434
Total expenditures/expenses	26,305,344	891,550	27,196,894	28,166,195	31,866,195	4,669,301
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES/EXPENSES	(4,341,939)	38,172	(4,303,767)	(7,198,040)	(10,898,040)	6,594,273
OTHER FINANCING SOURCES (USES), NET	177,990	(32,806)	145,184	(381,269)	(381,269)	526,453
Change in balances	(4,163,949)	5,366	(4,158,583)	(7,579,309)	(11,279,309)	7,120,726
FUND BALANCES, beginning of year	15,287,059	666,660	15,953,719	11,702,948	11,702,948	4,250,771
FUND BALANCES, end of year	$ 11,123,110	$ 672,026	$ 11,795,136	$ 4,123,639	$ 423,639	$ 11,371,497

See Notes to Required Budgetary Information and Independent Auditor's Report.

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

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 the custodial fund. 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, the District did one amendment, increasing budget expenditures by $3,700,000.

During the year ended June 30, 2023, expenditures exceeded the amounts budgeted in the support services function.

See Independent Auditor's Report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Last Nine Years*
(In Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.104213%	-0.042069%	0.108379%	0.109962%	0.107844%	0.107761%	0.107559%	0.117669%	0.117805%
District's proportionate share of the net pension liability	$ 3,937	$ 145	$ 7,613	$ 6,368	$ 6,825	$ 7,178	$ 6,769	$ 5,813	$ 4,768
District's covered payroll	$ 8,350	$ 8,408	$ 8,601	$ 8,369	$ 8,097	$ 8,045	$ 7,695	$ 8,148	$ 7,862
District's proportionate share of the net pension liability as a percentage of its covered payroll	47.15%	1.72%	88.51%	76.09%	84.29%	89.22%	87.97%	71.34%	60.65%
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 Notes to Required Pension Liability Information and Independent Auditor's Report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Last Ten Years
(In Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 820	$ 788	$ 794	$ 812	$ 790	$ 723	$ 718	$ 687	$ 728	$ 702
Contributions in relation to the statutorily required contribution	(820)	(788)	(794)	(812)	(790)	(723)	(718)	(687)	(728)	(702)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 8,691	$ 8,350	$ 8,408	$ 8,601	$ 8,369	$ 8,097	$ 8,045	$ 7,695	$ 8,148	$ 7,862
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%	9.44%	8.93%	8.92%	8.93%	8.93%	8.93%

See Notes to Required Pension Liability Information and Independent Auditor's Report.

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 study dated June 28, 2018:

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

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

- Decreased the inflation assumption from 3.00% to 2.60%.
- 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.

See Independent Auditor's Report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
For the Last Six Years

	2023	2022	2021	2020	2019	2018
Service cost	$ 69,003	$ 66,831	$ 50,882	$ 49,281	$ 49,363	$ 47,809
Interest cost	20,218	18,876	32,704	32,169	36,590	35,633
Difference between expected and actual experiences		(184,800)		(130,160)		35,433
Changes in assumptions		84,198		3,715		65,804
Benefit payments	(25,828)	(24,504)	(78,042)	(57,521)	(67,214)	(49,368)
Net change in total OPEB liability	63,393	(39,399)	5,544	(102,516)	18,739	135,311
Total OPEB liability beginning of year	888,679	928,078	922,534	1,025,050	1,006,311	871,000
Total OPEB liability end of year	$ 952,072	$ 888,679	$ 928,078	$ 922,534	$ 1,025,050	$ 1,006,311
Covered-employee payroll	$ 8,390,309	$ 8,126,207	$ 8,250,781	$ 7,991,071	$ 6,430,746	$ 6,415,404
Total OPEB liability as a percentage of covered-employee payroll	11.35%	10.94%	11.25%	11.54%	15.94%	15.69%

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

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:
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%

See Independent Auditor's Report.

Other Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

	Special Revenue Fund	Capital Projects Fund		
	Student Activity	Physical Plant and Equipment Levy	Debt Service Fund	Total Nonmajor Funds
ASSETS				
Cash and pooled investments	$ 287,759	$ 929,271		$ 1,217,030
Receivables:				
Property tax:				
Delinquent		3,975		3,975
Succeeding year		352,761		352,761
Accounts	1,971	543		2,514
Due from other funds	7,411			7,411
Due from other governments		225,063		225,063
Prepaid expenses	980	37,870		38,850
Total assets	$ 298,121	$ 1,549,483	$ -	$ 1,847,604
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 22,650	$ 6,462		$ 29,112
Total liabilities	22,650	6,462	$ -	29,112
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax		352,761		352,761
Other		225,061		225,061
Total deferred inflows of resources	-	577,822	-	577,822
Fund balances:				
Nonspendable: prepaid expenses	980	37,870		38,850
Restricted for:				
Student activities	274,491			274,491
Physical plant and equipment		927,329		927,329
Total fund balances	275,471	965,199	-	1,240,670
Total liabilities, deferred inflows of resources and fund balances	$ 298,121	$ 1,549,483	$ -	$ 1,847,604

See Independent Auditor's Report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	Special Revenue Fund	Capital Projects Fund		
	Student Activity	Physical Plant and Equipment Levy	Debt Service Fund	Total Nonmajor Funds
REVENUES				
Local sources:				
Property taxes		$ 665,231		$ 665,231
Other	$ 234,688	31,817		266,505
State sources		99		99
Federal sources		306,220		306,220
Total revenues	234,688	1,003,367	$ -	1,238,055
EXPENDITURES				
Current:				
Instruction:				
Other	258,112			258,112
Support services:				
Instructional staff		194,063		194,063
Administration		56,326		56,326
Operation and maintenance plant		21,565		21,565
Transportation		31,444		31,444
Other:				
Facilities acquisition		105,372		105,372
Long-term debt:				
Principal			1,223,545	1,223,545
Interest and fiscal charges			186,714	186,714
Total expenditures	258,112	408,770	1,410,259	2,077,141
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(23,424)	594,597	(1,410,259)	(839,086)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	7,411	7,400	1,410,259	1,425,070
Operating transfers out	(36,161)	(370,396)		(406,557)
Sale of capital assets		143,484		143,484
Net other financing sources (uses)	(28,750)	(219,512)	1,410,259	1,161,997
Change in fund balances	(52,174)	375,085	-	322,911
FUND BALANCES, beginning of year	327,645	590,114	-	917,759
FUND BALANCES, end of year	$ 275,471	$ 965,199	$ -	$ 1,240,670

See Independent Auditor's Report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
For the Year Ended June 30, 2023

	Balance June 30, 2022	Revenues and Transfers	Expenditures and Transfers	Balance June 30, 2023
High School Football	$ -	$ 28,740	$ 28,740	$ -
Girls High School Basketball	-	6,344	6,344	-
Boys High School Basketball	-	6,781	6,781	-
Boys High School Wrestling	95	11,101	11,196	-
Girls High School Wrestling	-	6,384	6,384	-
High School Baseball	-	5,853	5,853	-
High School Golf	114	3,899	4,013	-
High School Track	-	10,695	10,695	-
High School Softball	-	8,291	8,291	-
High School Volleyball	-	6,290	6,290	-
High School Cross Country	-	4,074	4,074	-
Weight/Training Room	-	6,582	6,582	-
High School Yearbook	12,079	16,987	18,452	10,614
High School Cheerleaders	1,723	4,460	6,183	-
National Honor Society	-	1,087	702	385
FFA	106,417	68,330	110,803	63,944
Robe Fund	85			85
High School Student Council	9,533	4,482	2,286	11,729
Junior Prom	1,336	1,493	1,519	1,310
Cresco Elementary	65,411	17,559	17,049	65,921
Junior High Drama	4,835			4,835
Junior High Vocal	18,180		174	18,006
Junior High Instrumental	19,574		2,634	16,940
Junior High Yearbook	545			545
Junior High Magazine Sales	21			21
Junior High Student Council	16,560	1,330	2,930	14,960
Junior High Cheerleaders	863			863
High School Drama	12,767	646	2,274	11,139
High School Speech	-	476	476	-
High School Vocal	36,145	8,152	8,614	35,683
High School Instrumental	-	5,534	5,534	-
Esports Club	169	2,862	2,565	466
Co-Ed Athletics	21,193		3,168	18,025
Total	$ 327,645	$ 238,432	$ 290,606	$ 275,471

See Independent Auditor's Report.

SCHEDULE 4

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
COMPARATIVE SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
For the Years Ended June 30,

	Modified Accrual Basis									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
REVENUES										
Local sources:										
Local property tax	$ 7,969,538	$ 7,574,133	$ 7,347,984	$ 7,483,031	$ 7,231,746	$ 6,926,631	$ 6,677,252	$ 6,472,589	$ 6,695,350	$ 7,138,428
Tuition	246,200	226,032	366,447	329,218	310,296	207,865	247,294	318,757	342,392	414,707
Other	1,688,041	525,119	346,350	516,508	577,464	640,092	646,004	562,824	647,737	821,750
State sources	9,684,630	9,443,659	9,011,131	8,930,773	8,388,959	8,340,927	8,309,890	8,262,836	8,552,223	8,591,488
Federal sources	2,374,996	1,634,938	1,153,310	476,749	486,123	561,053	443,448	506,527	593,435	583,782
Total revenues	$ 21,963,405	$ 19,403,881	$ 18,225,222	$ 17,736,279	$ 16,994,588	$ 16,676,568	$ 16,323,888	$ 16,123,533	$ 16,831,137	$ 17,550,155
EXPENDITURES										
Current:										
Instruction:										
Regular	$ 6,816,956	$ 7,602,052	$ 6,475,118	$ 6,428,115	$ 6,375,828	$ 5,886,856	$ 6,190,192	$ 5,975,635	$ 6,524,483	$ 6,260,318
Special	2,436,723	2,241,142	2,250,987	2,403,028	2,264,644	2,145,160	2,132,660	1,979,203	1,816,409	1,750,538
Other	1,927,529	1,909,333	1,783,153	1,788,595	1,977,687	2,169,064	1,995,299	1,990,107	1,856,198	1,788,504
Support services:										
Student	530,158	482,917	474,418	461,860	406,110	455,443	429,452	454,743	456,869	390,141
Instructional staff	620,702	463,044	425,455	478,450	556,894	693,285	1,488,882	414,337	440,222	528,603
Administration	1,628,505	1,625,993	1,744,801	1,489,363	1,466,028	1,423,328	1,296,560	1,328,790	1,562,157	1,502,743
Operation and maintenance plant	1,395,288	1,228,577	1,211,976	1,315,953	1,433,346	1,166,410	1,172,093	1,173,308	1,472,265	1,748,137
Transportation	873,045	820,396	778,300	872,831	857,494	887,671	1,084,715	1,136,095	1,287,282	1,165,476
Non-instructional programs	5,250	9,001	6,270	26,866	4,840	6,162	6,274	10,259	20,068	19,246
Other:										
Facilities acquisition	8,072,840	2,629,395	123,693	355,017	795,633	845,597	2,515,840	821,272	1,081,443	731,901
Long-term debt:										
Principal	1,223,545	852,313	409,526	399,401	389,955	2,086,095	190,000	428,436	243,088	657,855
Interest and fiscal charges	186,714	34,541	27,105	37,229	46,676	89,778	82,572	93,413	99,069	123,304
Bond issuance cost		100,957				42,610				
AEA flowthrough	588,089	569,394	563,274	560,351	565,058	565,058	551,687	564,600	565,287	561,136
Total expenditures	$ 26,305,344	$ 20,569,055	$ 16,274,076	$ 16,617,059	$ 17,140,193	$ 18,462,517	$ 19,136,226	$ 16,370,198	$ 17,424,840	$ 17,227,902

See Independent Auditor's Report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

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

1. The auditor's report expresses unmodified opinions on whether the financial statements of Howard-Winneshiek Community School District were prepared in accordance with U.S. generally accepted accounting principles.

2. One significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. No material weaknesses are reported.

3. No instances of noncompliance material to the financial statements of Howard-Winneshiek Community School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. One significant deficiency in internal control over the major federal award programs was disclosed by the audit of the financial statements. No material weaknesses are reported.

5. The auditor's report on compliance for the major federal award programs for Howard-Winneshiek Community School District expresses an unmodified opinion on all major federal programs.

6. The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).

7. The programs tested as major programs were as follows:
   - Education Stabilization Fund (ESF):
     - Federal Assistance Listing Number 84.425B:
       - Rethink K-12 Education Models Discretionary Grant (eLearning Central)
     - Federal Assistance Listing Number 84.425U:
       - American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER III)

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. Howard-Winneshiek Community School District was determined to be as a low-risk auditee.

See Independent Auditor's Report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

Part II: Findings Related to the Financial Statements:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

Finding 2023-001 **Overlapping Duties**

Condition: The District's offices are not large enough to permit an adequate segregation of duties for effective internal controls. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

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.

Cause: The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records.

Effect: This deficiency results in a reasonable possibility that the District would not be able to detect misstatements that would be material in relation to the financial statements and/or federal award programs in a timely period by employees in the normal course of performing their assigned functions.

Recommendation: The District should review the operating procedures of the District offices to obtain the maximum internal control possible under the circumstances utilizing currently available staff. While we do recognize that the District is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Board be aware that this condition does exist.

Repeat Finding: Yes.

Views of Responsible Officials and Planned Corrective Actions: Management is cognizant of this limitation and will implement additional procedures where possible.

See Independent Auditor's Report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

Part III: Findings and Questioned Costs for Federal Awards:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

- **Education Stabilization Fund (ESF):**
  - **Federal Assistance Listing Number 84.425B:**
    - **Rethink K-12 Education Models Discretionary Grant (eLearning Central)**
  - **Federal Assistance Listing Number 84.425U:**
    - **American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER III)**

Federal Award Year: 2023
Passed through the Iowa Department of Education
See 2023-001 above.

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated January 18, 2024.

See Independent Auditor's Report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2023

Comment Reference	Comment Title	Status	If Not Corrected, Provide Planned Corrective Action or Other Explanation
2022-001	Overlapping duties	Partially corrected	District's offices are not large enough to prevent overlapping duties, will implement procedures where possible to obtain maximum internal controls utilizing current staff.
2021-001	Overlapping duties	Partially corrected	District's offices are not large enough to prevent overlapping duties, will implement procedures where possible to obtain maximum internal controls utilizing current staff.

See Independent Auditor's Report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Grantor/Program Title	Federal Assistance Listing Number	Grant Number	Program Expenditures	
Department of Federal Communications Commission:				
Emergency Connectivity Fund Program	32.009	FY23	$ 306,220	
Indirect:				
U.S. Department of Agriculture:				
Passed through Iowa Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	FY23	72,749	
National School Lunch Program	10.555	FY23	458,280	*
Summer Food Service Program for Children	10.559	FY23	52,646	
Total Child Nutrition Cluster			583,675	
Local Food for Schools Cooperative Agreement	10.649	FY23	7,994	
Total U.S. Department of Agriculture			591,669	
U.S. Department of Education:				
Passed through Iowa Department of Education:				
Title I Grants to Local Educational Agencies	84.010	FY23	251,944	
Career and Technical Education - Basic Grants to States	84.048	FY23	17,870	
Supporting Effective Instruction State Grant	84.367	FY23	48,244	
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	FY23	57,296	
Student Support and Academic Enrichment Program	84.424	FY23	18,580	
Education Stabilization Fund (ESF):				
Rethink K-12 Education Models Discretionary Grant (eLearning Central)	84.425B	FY23	4,697	
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER III)	84.425U	FY23	1,242,080	
Total Education Stabilization Fund			1,246,777	
Total U.S. Department of Education			1,640,711	
Total Federal Financial Assistance			$ 2,538,600	

*Includes $66,990 of non-cash awards.

See Independent Auditor's Report.

Basis of Presentation:

- **The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Howard-Winneshiek Community School District under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Howard-Winneshiek Community School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Howard-Winneshiek Community School District.**

Summary of Significant Accounting Policies:

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

- **Pass-through entity identifying numbers are presented where available.**

Indirect Cost Rate:

- **Howard-Winneshiek Community School District calculated an indirect cost rate for the Child Nutrition Cluster of 9.17% based on the direct costs incurred during the year ended June 30, 2023.**

Subrecipients:

- **There were no awards pass through to subrecipients.**

See Independent Auditor's Report.

Hacker Nelson & Co., CPAs

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
Howard-Winneshiek Community School District
Cresco, Iowa

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howard-Winneshiek Community School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Howard-Winneshiek Community School District basic financial statements and have issued our report thereon dated January 18, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Howard-Winneshiek 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 Howard-Winneshiek Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Howard-Winneshiek Community School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

<u>Howard-Winneshiek Community School District's Response to Finding</u>

Government Auditing Standards **requires the auditor to perform limited procedures on the Howard-Winneshiek Community School District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Howard-Winneshiek Community School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.**

<u>Purpose of this Report</u>

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.

Hacker, Nelson + Co., CPAs

Decorah, Iowa
January 18, 2024

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

To the Board of Education
Howard-Winneshiek Community School District
Cresco, Iowa

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Howard-Winneshiek Community School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Howard-Winneshiek Community School District's major federal programs for the year ended June 30, 2023. Howard-Winneshiek Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Howard-Winneshiek Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Howard-Winneshiek Community School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Howard-Winneshiek Community School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Howard-Winneshiek Community School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Howard-Winneshiek Community School District's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Howard-Winneshiek Community School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- **Exercise professional judgment and maintain professional skepticism throughout the audit.**

- **Identify and assess the risks of material noncompliance, 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 Howard-Winneshiek Community School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.**

- **Obtain an understanding of Howard-Winneshiek Community School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Howard-Winneshiek Community School District's internal control over compliance. Accordingly, no such opinion is expressed.**

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as described below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

<u>Report on Internal Control over Compliance (Continued)</u>

Government Auditing Standards **requires the auditor to perform limited procedures on Howard-Winneshiek Community School District's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Howard-Winneshiek Community School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.**

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

Hacker, Nelson + Co., CPAs

Decorah, Iowa
January 18, 2024

Hacker Nelson & Co., CPAs

MANAGEMENT LETTER

To the Board of Education
Howard-Winneshiek Community School District
Cresco, Iowa

In planning and performing our audit of the basic financial statements of Howard-Winneshiek Community School District for the year ended June 30, 2023, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions, and other matters. Items 1 through 13 below are compliance comments required by the Iowa Auditor of State. A separate report dated January 18, 2024, contains our report on the District's internal control over financial reporting. This letter does not affect our report dated January 18, 2024, on the basic financial statements of the Howard-Winneshiek Community School District. Comment numbers 1, 9, 10, and 15 are unresolved comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

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.

1. Certified Budget

During the year ended June 30, 2023, expenditures exceeded the amounts budgeted in the support services function.

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 and Corrective Action Planned

Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion

Response accepted.

2. Questionable Expenditures

We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's Opinion dated April 25, 1979.

3. **Travel Expense**

No expenditures of District money for travel expenses of spouses of District officials and/or employees were noted. No travel advances to District officials or employees were noted.

4. **Business Transactions**

The District had business transactions between the District and the following District officials or employees. The transactions consisted with the following:

* Carrie McCarville and Chris Sullivan consisted of total payments to Camp-Site RV of $309. Carrie McCarville's husband and Chris Sullivan's wife are part-owners of Camp-Site RV.

* Andy Ludeking consisted of total payments to Decorah/Cresco Bank & Trust of $519,931.50. Andy Ludeking is Chief Credit Officer at Cresco Bank & Trust.

* Shirley Sovereign consisted of total payments to Cresco Fuels of $12,972.67. Shirley Sovereign's husband owns Cresco Fuels.

* Kim Kerian consisted of total payments to Culligan Water Conditioning of $3,777.44. Kim Kerian's husband owns Culligan Water Conditioning.

* Denise Sheehy consisted of total payments to H&S Motors of $2,404.08. Denise Sheehy's husband owns H&S Motors.

* Brent Mehmert consisted of total payments to Mehmert Tiling Inc. of $12,769.63. Brent Mehmert is part owner of Mehmert Tiling Inc.

* In accordance with an Attorney General's Opinion dated November 9, 1976 and Chapter 279.7A of the Code of Iowa, these transactions do not appear to represent any conflict of interest. The payments to Mehmert Tiling, Inc. do not appear to represent conflict of interest since they were entered through competitive bidding and Brent Mehmert is not directly involved in approving the contracts.

5. **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.

6. **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.

7. **Board Minutes**

We noted no transactions requiring Board approval which had not been approved by the Board. We also noted no minutes and bills that had not been published as required.

8. **Certified Enrollment**

No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

9. **Supplementary Weighting**

We noted two variances in the supplementary weighting certified to the Iowa Department of Education. Two students were funded with the District while taking a course at another District.

Recommendation

We recommend that lists are reviewed before certifying to the Iowa Department of Education.

Response and Corrective Action Planned

The District contacted the Iowa Department of Education to notify them of the difference.

Conclusion

Response accepted.

10. **Deposits and Investments**

A resolution naming official depository banks has been approved by the District. The maximum deposit amount stated in the resolution was exceeded during the year ended June 30, 2023.

Recommendation

We recommend that deposited funds not exceed the amount approved for each respective financial institution. The District would then be in compliance with Chapter 12C of the Code of Iowa.

Response and Corrective Action Planned

We received some larger deposits from the State of Iowa within a short period of time which put us over our limit.

Conclusion

Response accepted.

11. **Certified Annual Report**

The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.

12. **Categorical Funding**

No instances were noted of categorical funding being used to supplant rather than supplement other funds.

13. **Statewide Sales, Services and Use Tax**

No instances of noncompliance 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.

13. Statewide Sales, Services and Use Tax (Continued)

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		$ 9,468,350
Revenues/transfers in:		
Statewide sales, services and use tax	$ 1,576,052	
Other local revenue	931,387	
Proceeds of capital assets	1,700	
Transfers from other funds	1,061,059	3,570,198
Expenditures/transfers out:		
School infrastructure:		
Equipment and architect	41,721	
School infrastructure construction	7,967,468	
Transfers to debt service fund	1,039,863	9,049,052
Ending balance		$ 3,989,496

For the year ended June 30, 2023, the District reduced the following levies as a result of the moneys received under Chapters 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per $1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	$ 1.67	$ 1,039,863
Physical plant and equipment levy (PPEL)	.86	536,189
Total		$ 1,576,052

14. Student Activity Fund

For the items tested, no instances of noncompliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), for moneys in the student activity fund which should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program were noted.

15. **Disbursements**

During our audit, out of sixty-seven invoices tested, we noted the following:

- Five general fund payments were made prior to acquiring an approved purchase order.

Recommendation

We recommend the District remind staff of the policy of receiving an approved purchase order prior to any purchase and take extra care to ensure that all purchases have a detailed receipt. The District should also remind personnel of the Board's disbursement policies.

Response and Corrective Action Planned

Management is aware of the issue and working diligently with the staff to correct this issue.

Conclusion

Response accepted.

We have also provided you under separate cover a listing of general steps that you should review and consider implementing to strengthen controls. This list is not all inclusive. You should review all aspects of your operations and implement appropriate controls as deemed necessary. Some of these items may not be applicable or you may have already implemented them.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Howard-Winneshiek 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.

Hacker, Nelson + Co., CPAs

Decorah, Iowa
January 18, 2024