

**HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
CRESCO, IOWA**

FINANCIAL REPORT

JUNE 30, 2020

TABLE OF CONTENTS

		<u>Page</u>
BOARD OF EDUCATION AND SCHOOL OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS		2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)		4-4h
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	5
Statement of Activities	B	6
Governmental Funds Financial Statements:		
Balance Sheet	C	7-8
Statement of Revenues, Expenditures and Changes in Fund Balances	D	9-10
Proprietary Funds Financial Statements:		
Statement of Net Position	E	11
Statement of Revenues, Expenses and Changes in Net Position	F	12
Statement of Cash Flows	G	13
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Net Position	H	14
Statement of Changes in Fiduciary Net Position	I	15
Notes to Financial Statements		16-37
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds		38
Notes to Required Supplementary Information - Budgetary Reporting		39
Schedule of the District's Proportionate Share of the Net Pension Liability		40
Schedule of District Contributions		41
Notes to Required Supplementary Information - Pension Liability		42
Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes		43
OTHER SUPPLEMENTARY INFORMATION	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	45
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	3	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	47
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	48
Comparative Schedule of Revenues by Source and Expenditures by Function		
All Governmental Funds	6	49
Schedule of Findings and Questioned Costs	7	50-52
Schedule of Expenditures of Federal Awards	8	53
Notes to the Schedule of Expenditures of Federal Awards		54
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 <i>GOVERNMENT AUDITING STANDARDS</i>		55-56
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE		57-58
MANAGEMENT LETTER		59-62

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

<u>Name</u>	<u>Title</u>	<u>District</u>	<u>Term Expires</u>
<u>Board of Education</u>			
Alison Holten	President	District 1	September 2021
Duane Bodermann	Vice-President	District 4	September 2021
Shirley Sovereign	Board Member	Director at Large	September 2023
Toni Johnson	Board Member	District 3	September 2023
Andy Ludeking	Board Member	District 2	September 2023

School Officials

Theodore Ihns - Superintendent
Robyn Lane - Business Manager and District Secretary/Treasurer
Elwood, O'Donohoe, Braun & White, LLP - Attorney

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howard-Winneshiek Community School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Howard-Winneshiek Community School District, as of June 30, 2020, 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.

Emphasis of a Matter

As discussed in Note 17 to the financial statements, Howard-Winneshiek Community School District adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

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 4 through 4h and pages 38 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howard-Winneshiek Community School District's June 30, 2020 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 and 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, 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 8, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information shown on Schedules 1 through 8, 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 2020 basic financial statements as a whole.

The financial statements of Howard-Winneshiek Community School District for the years ended June 30, 2011 through 2017 were audited by other auditors who expressed unmodified opinions on those statements. Their reports on the information presented on page 49 related to the 2011 through 2017 financial statements stated that, in their opinion, such information was fairly stated in all material respects in relation to the 2011 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 February 12, 2021, on our consideration of 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 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.

Decorah, Iowa
February 12, 2021

Hacker, Nelson & Co., P.C.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
CRESCO, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

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, 2020.

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.

2020 FINANCIAL HIGHLIGHTS

As discussed in Note 17 to the financial statements, Howard-Winneshiek Community School District adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* during fiscal year 2020.

In total, net position increased \$173,399 or 1.8% from fiscal year 2019. Net position in governmental activities increased \$317,329, which represented an 3.3% increase from fiscal year 2019. The District's revenues increased 3.8% or approximately \$669,000, with property taxes increasing approximately \$251,000, and local option sales tax and surtax increasing approximately \$21,000, and unrestricted state grants increasing \$312,000. District program expenses increased 4.6% or approximately \$802,000. Net position in the business-type activities, which represents the District's food service operations decreased \$143,930, which represented a 54.8% decrease from fiscal year 2019. The decrease is due to expenses outpacing revenue.

General fund revenues (which include the instructional support fund) accounted for \$15,073,270 in revenue or 85.0% of all governmental revenues. General fund expenditures (which include the instructional support fund) accounted for \$14,863,876 in expenditures or 89.4% 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.

USING THIS ANNUAL REPORT (Continued)

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.

However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds for fiscal year 2020 are the general fund, the statewide sales, services and use tax-capital projects fund and the debt service fund.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (Continued)

Fund Financial Statements (Continued)

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 funds.

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 2020 for governmental activities was \$10,013,349 and for business-type activities was \$117,908, an increase of 3.3%, and a decrease of 55.0% from the previous fiscal year, respectively. The following is a summary perspective of the statement of net position of the District as a whole.

Condensed Statement of Net Position (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 15,032	\$ 14,218	\$ 531	\$ 459	\$ 15,563	\$ 14,677
Capital assets	12,361	13,259	75	68	12,436	13,327
Total assets	27,393	27,477	606	527	27,999	28,004
Deferred outflows of resources	1,622	1,856	34	43	1,656	1,899
Current liabilities	2,526	2,805	281	70	2,807	2,875
Noncurrent liabilities	8,026	8,825	208	224	8,234	9,049
Total liabilities	10,552	11,630	489	294	11,041	11,924
Deferred inflows of resources	8,450	8,007	33	14	8,483	8,021
Net position:						
Net investment in capital assets	11,161	11,659	75	68	11,236	11,727
Nonspendable	85				85	-
Restricted	4,694	3,604			4,694	3,604
Unrestricted (deficit)	(5,927)	(5,567)	43	194	(5,884)	(5,373)
Total net position	\$ 10,013	\$ 9,696	\$ 118	\$ 262	\$ 10,131	\$ 9,958

The District's total net position increased 1.7% or approximately \$174,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$1,090,000 or 30.2%, over the prior year. The increase was primarily a result of an increase in the statewide sales, services and use tax fund caused by decreased spending for school infrastructure.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$511,000 or 5.1%. The decrease in unrestricted net position was primarily a result of the increase in the District's school infrastructure and management levy.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following analysis shows the change in net position for the years ended June 30, 2020 and 2019 as shown below.

	Changes in Net Position (Expressed in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenue:						
Charges for service	\$ 644	\$ 654	\$ 242	\$ 313	\$ 886	\$ 967
Operating grants	2,886	2,693	483	444	3,369	3,137
General revenue:						
Property taxes	7,483	7,232			7,483	7,232
Sales tax and surtax	1,213	1,192			1,213	1,192
Unrestricted state grants	5,302	4,990			5,302	4,990
Unrestricted investment earnings	74	96	5	8	79	104
Gain on the sale of capital assets	13	4			13	4
Other revenue	128	179			128	179
Total revenues	17,743	17,040	730	765	18,473	17,805
Program expenses:						
Instruction	11,163	9,915			11,163	9,915
Student support	4,894	5,054			4,894	5,054
Non-instructional programs	22	5	874	789	896	794
Other expenses	1,347	1,734			1,347	1,734
Total expenses	17,426	16,708	874	789	18,300	17,497
Increase (decrease) in net position	317	332	(144)	(24)	173	308
Net position, beginning of year	9,696	9,364	262	286	9,958	9,650
Net position, end of year	\$ 10,013	\$ 9,696	\$ 118	\$ 262	\$ 10,131	\$ 9,958

In fiscal year 2020, property tax and unrestricted state grants accounted for 72.1% of governmental activities revenues while charges for service and operating grants accounted for 99.3% of business-type activities.

The District's total revenues were approximately \$18.4 million, of which approximately \$17.7 million was for governmental activities and about \$0.7 million was for business-type activities.

As shown above, the District as a whole experienced an 3.8% increase in revenues and a 4.6% increase in expenses. Property tax revenues increased approximately \$251,000. The increase in expenses is primarily related to increases in instruction expenses partially due to COVID-19 remote learning.

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 combined fund balance of \$5,723,439, an \$1,129,197 increase from the 2019 fiscal year end balance of \$4,594,242.

- The general fund expenditures increased during fiscal year 2020 for instruction while revenues increased for state sources. The District did receive \$154,174 of CARES Act funds for the school emergency relief fund program. The ending fund balance showed an increase of \$207,384 from the prior year.
- The statewide sales, services and use tax-capital projects fund generated more revenue in fiscal year 2020 from Secure an Advanced Vision for Education (SAVE). Expenditures decreased during the fiscal year in operation and maintenance. The ending fund balance showed an increase of \$822,983 from the prior year due to less expenditures for facilities acquisition.
- The debt service fund ending fund balance showed no change for fiscal year 2020. This is due to debt payments being fully offset by transfers in.

Proprietary Funds Highlights

The school nutrition fund net position decreased from \$261,838 at June 30, 2019 to \$117,908 at June 30, 2020, representing a decrease of approximately 55.0%. The decrease is mainly due to the District shutting down for COVID-19 which resulted in receiving less revenues from charges for services. The District did receive \$319,070 of CARES Act funds for the school nutrition program. In addition, the decrease is from revenues being outpaced by expenses, in particular an increase in supplies.

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 did not adopt a budget amendment in fiscal year 2020.

The District's total revenues were \$95,693 less than total budgeted revenues, a variance of 0.52%. Local tax revenue and federal sources decreased in fiscal year 2020. However, state sources increased in fiscal year 2020, but overall there was a decrease in actual revenues over budgeted.

Total expenditures were less than budgeted, due primarily 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.

However, the budget was exceeded in the non-instructional expenditures function area which resulted from the budget only taking into consideration the increased expenditures in the nutrition expenses.

BUDGETARY HIGHLIGHTS (Continued)

The following chart shows the original and final budget for fiscal year 2020 as well as the actual revenue and expenditures for the year.

Budgetary Comparison Schedule (Expressed in Thousands)			
	Actual Basis	Budgeted Amount	Variance
Revenues:			
Local sources	\$ 8,575	\$ 8,650	\$ (75)
State sources	8,936	8,896	40
Federal sources	955	1,016	(61)
Total revenues	\$ 18,466	\$ 18,562	\$ (96)
Expenditures/Expenses:			
Instruction	\$ 10,620	\$ 11,004	\$ 384
Support services	4,618	5,200	582
Non-instructional programs	901	831	(70)
Other expenditures	1,355	1,820	465
Total expenditures/expenses	\$ 17,494	\$ 18,855	\$ 1,361

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2020, the District's governmental activities had invested \$12,361,206 (net of accumulated depreciation) 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 expense of \$1,265,611 for fiscal year 2020 and total accumulated depreciation of \$13,046,146 as of June 30, 2020. The District's business-type activities had invested \$74,514 (net of accumulated depreciation) in capital assets of equipment. The District had depreciation expense of \$14,302 for fiscal year 2020 and total accumulated depreciation of \$298,596 as of June 30, 2020. More detailed information about capital assets is available in Note 5 to the financial statements. The following chart shows the comparison in capital assets for 2020 and 2019.

Capital Assets (Net of Depreciation) (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 801	\$ 801			\$ 801	\$ 801
Land improvements	1,017	1,100			1,017	1,100
Buildings	8,654	9,175			8,654	9,175
Furniture and equipment	1,889	2,183	\$ 75	\$ 68	1,964	2,251
Total	\$ 12,361	\$ 13,259	\$ 75	\$ 68	\$ 12,436	\$ 13,327

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt

As of June 30, 2020, the District had \$1,429,934 in long-term debt outstanding compared to \$1,805,261 from the prior year. More detailed information about the District's long-term debt can be found in Note 6 to the financial statements. The following chart shows the debt comparison between 2020 and 2019.

	Long-term Debt Obligations			Balance June 30, 2020
	Balance June 30, 2019	Additions	Reductions	
Bonds/Capital Loan Notes:				
2017 Tax Revenue Bond	\$ 1,080,395	\$ -	\$ 231,693	\$ 848,702
Other Liabilities:				
Capital leases	518,729		167,708	351,021
Early retirement	206,137	230,211	206,137	230,211
Total other liabilities	724,866	230,211	373,845	581,232
Total long-term debt	\$ 1,805,261	\$ 230,211	\$ 605,538	\$ 1,429,934

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 for the last nine years with the exception of 2018. Certified enrollment (line 7 of Certified Enrollment Form) for 2018 was up 10.84 students (.9%); whereas 2020 was down 8.3 students (.7%); 2019 was down 38 students (3.4%); 2017 was down 34 students (2.9%) compared to the District's enrollment decline of 3 students (0.3%) in 2016.
- 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 7,104,403	\$ 405,964	\$ 7,510,367
Receivables:			
Property tax:			
Delinquent	114,694		114,694
Succeeding year	6,875,150		6,875,150
Accounts	30,336	3,740	34,076
Prepaid expenses	82,936		82,936
Due from other governments	823,032	93,082	916,114
Inventories	1,672	28,842	30,514
Capital assets, non-depreciable	801,220		801,220
Capital assets, net of accumulated depreciation	11,559,986	74,514	11,634,500
Total assets	<u>27,393,429</u>	<u>606,142</u>	<u>27,999,571</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	1,547,864	31,284	1,579,148
OPEB related deferred outflows	74,430	2,301	76,731
Total deferred outflows of resources	<u>1,622,294</u>	<u>33,585</u>	<u>1,655,879</u>
Total assets and deferred outflows of resources	<u>\$ 29,015,723</u>	<u>\$ 639,727</u>	<u>\$ 29,655,450</u>
LIABILITIES			
Accounts payable	\$ 257,246	\$ 12,204	\$ 269,450
Salaries and benefits payable	1,632,331	45,266	1,677,597
Interfund payable (receivable)	30	(30)	-
Advances from grantors	139,135	200,922	340,057
Unearned revenues	550	23,086	23,636
Accrued interest payable	10,985		10,985
Portion due within one year:			
Bonds payable	236,701		236,701
Capital leases	172,857		172,857
Early retirement	76,737		76,737
Portion due after one year:			
Bonds payable	612,001		612,001
Capital leases	178,164		178,164
Early retirement	153,474		153,474
Net pension liability	6,184,494	183,028	6,367,522
Total OPEB liability	897,935	24,599	922,534
Total liabilities	<u>10,552,640</u>	<u>489,075</u>	<u>11,041,715</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	6,875,150		6,875,150
Pension related deferred inflows	1,058,750	29,215	1,087,965
OPEB related deferred outflows	114,116	3,529	117,645
Other	401,718		401,718
Total deferred inflows of resources	<u>8,449,734</u>	<u>32,744</u>	<u>8,482,478</u>
NET POSITION			
Net investment in capital assets	11,161,483	74,514	11,235,997
Nonspendable: prepaid expenses and inventory	84,608		84,608
Restricted for:			
School infrastructure	2,119,650		2,119,650
Management levy purposes	965,818		965,818
Student activities	326,957		326,957
Physical plant and equipment	525,133		525,133
Categorical funding	754,464		754,464
Other	3,000		3,000
Unrestricted (deficit)	(5,927,764)	43,394	(5,884,370)
Total net position	<u>10,013,349</u>	<u>117,908</u>	<u>10,131,257</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 29,015,723</u>	<u>\$ 639,727</u>	<u>\$ 29,655,450</u>

See Notes to Financial Statements.

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HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
GOVERNMENTAL ACTIVITIES			
Instruction:			
Regular instruction	\$ 6,962,760	\$ 235,828	\$ 1,836,690
Special instruction	2,403,014	81,962	477,330
Other instruction	1,797,380	234,421	8,183
	<u>11,163,154</u>	<u>552,211</u>	<u>2,322,203</u>
Support services:			
Student services	407,065	5,814	
Instructional staff services	537,269		
Administration services	1,511,934	84,129	
Operation and maintenance plant services	1,384,455		
Transportation services	1,053,278	2,074	
	<u>4,894,001</u>	<u>92,017</u>	<u>-</u>
Non-instructional	<u>22,522</u>	<u>-</u>	<u>-</u>
Other:			
Long-term debt interest	31,623		
AEA flowthrough	563,437		563,437
Depreciation (unallocated)*	751,549		
	<u>1,346,609</u>	<u>-</u>	<u>563,437</u>
Total governmental activities	<u>17,426,286</u>	<u>644,228</u>	<u>2,885,640</u>
BUSINESS-TYPE ACTIVITIES			
Non-instructional programs:			
Nutrition services	874,366	242,055	483,242
Total	<u>\$ 18,300,652</u>	<u>\$ 886,283</u>	<u>\$ 3,368,882</u>
GENERAL REVENUES			
Property taxes levied for:			
General purposes			
Management levy purposes			
Physical plant and equipment			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Gain on sale of capital assets			
Transfers			
Other			
Total general revenues			
Change in net position			
NET POSITION, beginning of year			
NET POSITION, end of year			

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

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (4,890,242)		\$ (4,890,242)
(1,843,722)		(1,843,722)
(1,554,776)		(1,554,776)
(8,288,740)	\$ -	(8,288,740)
(401,251)		(401,251)
(537,269)		(537,269)
(1,427,805)		(1,427,805)
(1,384,455)		(1,384,455)
(1,051,204)		(1,051,204)
(4,801,984)	-	(4,801,984)
(22,522)	-	(22,522)
(31,623)		(31,623)
-		-
(751,549)		(751,549)
(783,172)	-	(783,172)
(13,896,418)	-	(13,896,418)
-	(149,069)	(149,069)
(13,896,418)	(149,069)	(14,045,487)
6,325,903		6,325,903
525,124		525,124
632,004		632,004
1,213,349		1,213,349
5,302,125		5,302,125
74,068	4,702	78,770
13,500		13,500
(437)	437	-
128,111		128,111
14,213,747	5,139	14,218,886
317,329	(143,930)	173,399
9,696,020	261,838	9,957,858
\$ 10,013,349	\$ 117,908	\$ 10,131,257

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Capital Projects Fund Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and pooled investments	\$ 3,638,039	\$ 1,863,442	\$ 1,598,298	\$ 7,099,779
Receivables:				
Property tax:				
Delinquent	99,883		14,811	114,694
Succeeding year	6,560,528		314,622	6,875,150
Accounts	17,033		13,303	30,336
Due from other funds	2,000		4,098	6,098
Due from other governments	519,939	102,229	200,864	823,032
Prepaid expenses	23,917		59,019	82,936
Inventories	1,672			1,672
Total assets	\$ 10,863,011	\$ 1,965,671	\$ 2,205,015	\$ 15,033,697
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 243,601		\$ 13,645	\$ 257,246
Salaries and benefits payable	1,632,331			1,632,331
Due to other funds	4,128			4,128
Advances from grantors	139,135			139,135
Unearned revenues	550			550
Total liabilities	2,019,745	\$ -	13,645	2,033,390
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	6,560,528		314,622	6,875,150
Other	200,859		200,859	401,718
Total deferred inflows of resources	6,761,387	-	515,481	7,276,868
Fund balances:				
Nonspendable: prepaid expenses and inventory	25,589		59,019	84,608
Restricted for:				
Categorical funding	754,464			754,464
Management levy purposes			965,818	965,818
Student activities			326,957	326,957
Physical plant and equipment			324,095	324,095
School infrastructure		1,965,671		1,965,671
Other	3,000			3,000
Unassigned	1,298,826			1,298,826
Total fund balances	2,081,879	1,965,671	1,675,889	5,723,439
Total liabilities, deferred inflows of resources and fund balances	\$ 10,863,011	\$ 1,965,671	\$ 2,205,015	\$ 15,033,697

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION		
Total governmental fund balances		\$ 5,723,439
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 of: \$13,046,146.		12,361,206
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.		2,624
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.		(10,985)
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	\$ 1,622,294	
Deferred inflows of resources	<u>(1,172,866)</u>	449,428
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	(848,702)	
Capital leases	(351,021)	
Early retirement	(230,211)	
Net pension liability	(6,184,494)	
Total OPEB liability	<u>(897,935)</u>	<u>(8,512,363)</u>
Net position of governmental activities per Exhibit A		<u>\$ 10,013,349</u>

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, 2020

	General	Capital Projects Fund Statewide Sales, Services and Use Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local sources:					
Local property tax	\$ 6,325,903			\$ 1,157,128	\$ 7,483,031
Tuition	329,218				329,218
Other	235,402	\$ 16,611		264,495	516,508
State sources	7,705,998	1,213,349		11,426	8,930,773
Federal sources	476,749				476,749
Total revenues	15,073,270	1,229,960	\$ -	1,433,049	17,736,279
EXPENDITURES					
Current:					
Instruction:					
Regular instruction	6,148,366			279,749	6,428,115
Special instruction	2,403,014				2,403,014
Other instruction	1,613,951			174,644	1,788,595
	<u>10,165,331</u>	<u>-</u>	<u>-</u>	<u>454,393</u>	<u>10,619,724</u>
Support services:					
Student services	407,065				407,065
Instructional staff services	475,658			61,611	537,269
Administration services	1,420,918			63,025	1,483,943
Operation and maintenance plant services	1,071,988			245,375	1,317,363
Transportation services	759,479			113,352	872,831
	<u>4,135,108</u>	<u>-</u>	<u>-</u>	<u>483,363</u>	<u>4,618,471</u>
Non-instructional	-	-	-	26,866	26,866
Other:					
Long-term debt:					
Principal			399,401		399,401
Interest and fiscal charges			37,229		37,229
Facilities acquisition		153,979		201,038	355,017
AEA flowthrough	563,437				563,437
	<u>563,437</u>	<u>153,979</u>	<u>436,630</u>	<u>201,038</u>	<u>1,355,084</u>
Total expenditures	14,863,876	153,979	436,630	1,165,660	16,620,145
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	209,394	1,075,981	(436,630)	267,389	1,116,134
OTHER FINANCING SOURCES (USES)					
Operating transfers in	2,088		436,630	4,098	442,816
Operating transfers (out)	(4,098)	(252,998)		(186,157)	(443,253)
Sale of capital assets				13,500	13,500
	<u>(2,010)</u>	<u>(252,998)</u>	<u>436,630</u>	<u>(168,559)</u>	<u>13,063</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND FINANCING USES	207,384	822,983	-	98,830	1,129,197
FUND BALANCES, beginning of year	1,874,495	1,142,688	-	1,577,059	4,594,242
FUND BALANCES, end of year	\$ 2,081,879	\$ 1,965,671	\$ -	\$ 1,675,889	\$ 5,723,439

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, 2020

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	\$	1,129,197
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.			
			(1,383)
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 expenses in the statement of activities. This is the amount by which depreciation exceed capital outlays in the current year, as follows:			
	Depreciation	\$ (1,265,611)	
	Capital outlays	<u>368,134</u>	(897,477)
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.			
			399,401
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.			
			5,606
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.			
			786,540
Early retirement 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:			
	Compensated absences		
	Early retirement	(24,074)	
	Pension expense	(1,059,804)	
	OPEB expense	<u>(20,677)</u>	<u>(1,104,555)</u>
	Change in net position of governmental activities per Exhibit B	\$	<u>317,329</u>

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	School Nutrition Fund	Internal Service Fund
ASSETS		
CURRENT ASSETS		
Cash	\$ 405,964	\$ 4,624
Accounts receivable	3,740	
Due from other governments	93,082	
Due from other funds	30	
Inventories	28,842	
Total current assets	<u>531,658</u>	<u>4,624</u>
NONCURRENT ASSETS		
Furniture and equipment	373,110	
Less accumulated depreciation	(298,596)	
Total noncurrent assets	<u>74,514</u>	<u>-</u>
Total assets	<u>606,172</u>	<u>4,624</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	31,284	
OPEB related deferred outflows	2,301	
Total deferred outflows of resources	<u>33,585</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 639,757</u>	<u>\$ 4,624</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 12,204	
Salaries and benefits payable	45,266	
Due to other funds		\$ 2,000
Unearned revenues	23,086	
Total current liabilities	<u>80,556</u>	<u>2,000</u>
NONCURRENT LIABILITIES		
Net pension liability	183,028	
Total OPEB liability	24,599	
Total noncurrent liabilities	<u>207,627</u>	<u>-</u>
Total liabilities	<u>288,183</u>	<u>2,000</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	29,215	
OPEB related deferred inflows	3,529	
Advances from grantors	200,922	
Total deferred inflows of resources	<u>233,666</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	74,514	
Unrestricted	43,394	2,624
Total net position	<u>117,908</u>	<u>2,624</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 639,757</u>	<u>\$ 4,624</u>

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, 2020

	School Nutrition Fund	Internal Service Fund
OPERATING REVENUES		
Local sources:		
Charges for services	\$ 242,055	\$ 14,273
OPERATING EXPENSES		
Non-instructional programs:		
Food service operations:		
Salaries and benefits	348,724	
Purchased services	7,252	
Supplies	504,088	
Depreciation	14,302	
Other		15,656
Total operating expenses	874,366	15,656
Operating loss	(632,311)	(1,383)
NONOPERATING REVENUES		
Interest income	4,702	
State sources	5,291	
Federal sources	477,951	
Total nonoperating revenues	487,944	-
Loss before transfers	(144,367)	(1,383)
TRANSFER IN		
	437	-
Change in net position	(143,930)	(1,383)
NET POSITION, beginning of year	261,838	4,007
NET POSITION, end of year	\$ 117,908	\$ 2,624

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	School Nutrition Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sale of lunches and breakfasts	\$ 252,503	
Cash paid to employees for services	(345,028)	
Cash paid to suppliers for goods or services	(415,772)	\$ (13,656)
Other payments	(7,252)	14,273
	<u>(515,549)</u>	<u>617</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer in	437	
State and federal grants received	547,081	
	<u>547,518</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(20,876)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	4,702	-
	<u>15,795</u>	<u>617</u>
CASH, beginning of year	<u>390,169</u>	<u>4,007</u>
CASH, end of year	<u>\$ 405,964</u>	<u>\$ 4,624</u>
Reconciliation of operating loss to net cash (used in) provided by operating activities:		
Operating loss	\$ (632,311)	\$ (1,383)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Depreciation	14,302	
Commodities used	83,150	
Decrease in accounts receivable	535	
Increase in inventories	(3,038)	
Increase in accounts payable	8,204	2,000
Decrease in salaries and benefits payable	(8,007)	
Increase in unearned revenues	9,913	
Decrease in net pension liability	(13,714)	
Decrease in OPEB liability	(3,077)	
Decrease in deferred outflows of resources	9,607	
Increase in deferred inflows of resources	18,887	
	<u>(515,549)</u>	<u>617</u>

Non-cash, noncapital financing activities:

During the year ended June 30, 2020, the District received commodities valued at \$83,150.

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2020

	<u>Custodial Fund</u>
ASSETS	
Cash	\$ 13,563
Receivables	<u>225</u>
Total assets	<u><u>\$ 13,788</u></u>
NET POSITION	
Restricted for other organizations	<u>\$ 13,788</u>
Total net position	<u><u>\$ 13,788</u></u>

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 For the Year Ended June 30, 2020

	<u>Custodial Fund</u>
ADDITIONS	
Gifts and contributions	\$ 2,584
Miscellaneous	2,849
Total additions	5,433
DEDUCTIONS	
Scholarships	3,325
Miscellaneous	335
Total deductions	3,660
Change in net position	1,773
NET POSITION beginning of year, as restated	12,015
NET POSITION end of year	\$ 13,788

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

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, the statewide sales, services and use tax-capital projects fund, and the debt service 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.

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.

Debt Service Fund

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

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 capital leases 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 enterprise 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 cost.

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, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

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, 2020, 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.

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.

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

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. 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
Furniture and equipment:	
School nutrition fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	5-50 years
Land improvements	5-20 years
Intangibles	5-10 years
Furniture and equipment	3-20 years

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable

Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2020 was used to calculate the salaries payable.

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):

Advances from Grantors

Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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.

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, 2020.

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. Early retirement liability has been paid primarily by the nonmajor 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 inflows of resources and deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the general fund 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 consist of succeeding year property tax receivable and other receivables not collected within sixty days after year-end.

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):

Deferred Inflows of Resources (Continued)

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, and unrecognized items not yet charged to pension expense.

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 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, 2020, expenditures in the non-instructional function area exceeded the budgeted amounts.

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.

NOTES TO FINANCIAL STATEMENTS

2. Cash and Pooled Investments

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

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

At June 30, 2020, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) diversified portfolio which are valued at an amortized cost of \$1 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

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, 2020:

Governmental:	
General fund:	
Open enrollment	\$ 47,481
Title I	89,797
Non-public transportation	87,787
Title IIA	11,838
Income surtax	200,864
Facilities and Transportation Director sharing	43,988
Other	38,184
	519,939
Capital projects funds:	
Statewide sales, services and use tax	102,229
	200,864
Total due from other governments	\$ 823,032
Business-type activities:	
School nutrition fund	\$ 93,082

NOTES TO FINANCIAL STATEMENTS

4. Interfund Transfers

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

	Transfers In	Transfers Out
General fund	\$ 2,088	\$ 4,098
Debt service fund	436,630	
Capital projects funds:		
Statewide sales, services and use tax fund		252,998
Nonmajor governmental-capital projects funds:		
Student activity	4,098	2,525
Physical plant and equipment levy fund		183,632
Business-type funds:		
Nutrition fund	437	
	\$ 443,253	\$ 443,253

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 between the general fund, and the student activity fund and nutrition fund were for payments made.

5. Capital Assets

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

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Governmental activities:				
Land	\$ 801,220			\$ 801,220
Total capital assets not being depreciated	801,220	\$ None	\$ None	801,220
Capital assets being depreciated:				
Land improvements	2,097,365	35,107		2,132,472
Buildings	17,013,131	100,446		17,113,577
Furniture and equipment	5,214,701	232,581	87,199	5,360,083
Total capital assets being depreciated	24,325,197	368,134	87,199	24,606,132
Less accumulated depreciation for:				
Land improvements	997,724	117,509		1,115,233
Buildings	7,838,141	621,553		8,459,694
Furniture and equipment	3,031,869	526,549	87,199	3,471,219
Total accumulated depreciation	11,867,734	1,265,611	87,199	13,046,146
Total capital assets being depreciated, net	12,457,463	(897,477)	None	11,559,986
Governmental activities:				
Capital assets, net	\$ 13,258,683	\$ (897,477)	\$ None	\$ 12,361,206

NOTES TO FINANCIAL STATEMENTS

5. Capital Assets (Continued)

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Business-type activities:				
Furniture and equipment	\$ 352,234	\$ 20,876		\$ 373,110
Less accumulated depreciation	284,294	14,302		298,596
Business-type activities:				
Capital assets, net	\$ 67,940	\$ 6,574	\$ None	\$ 74,514

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

Governmental activities:	
Instruction:	
Regular	\$ 216,630
Other	21,902
Support services:	
Administration	27,991
Operation and maintenance plant services	67,092
Transportation services	180,447
Unallocated depreciation	751,549
Total depreciation expense - governmental activities	\$ 1,265,611
Business-type activities:	
Food services	\$ 14,302

6. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Governmental activities:					
Bonds:					
2017 Tax Revenue Bond	\$ 1,080,395	\$ None	\$ 231,693	\$ 848,702	\$ 236,701
Other liabilities:					
Early retirement	206,137	230,211	206,137	230,211	76,737
Capital leases	518,729		167,708	351,021	172,857
Total other liabilities	724,866	230,211	373,845	581,232	249,594
Governmental activities:					
Long-term liabilities	\$ 1,805,261	\$ 230,211	\$ 605,538	\$ 1,429,934	\$ 486,295

6. Long-term Debt Obligations (Continued)

Bond Indebtedness

\$1,420,000 2017 School Infrastructure Local Option Sales and Services Tax Revenue Bonds, with principal due February 1, 2018 through December 1, 2023 plus interest monthly with interest rate of the bonds of 2.17%. 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. Bonds maturing after June 1, 2020 are callable upon terms of par plus accrued interest to date of call.

Interest costs incurred and charged to expenses was \$21,304 for the year ended June 30, 2020. A summary of the bond principal and interest maturities is as follows:

Year Ending June 30,	Governmental Activities		Total
	Tax Revenue Bonds		
	Principal	Interest	
2021	\$ 236,701	\$ 16,298	\$ 252,999
2022	241,962	11,038	253,000
2023	247,338	5,659	252,997
2024	122,701	776	123,477
Total	\$ 848,702	\$ 33,771	\$ 882,473

The District has pledged future statewide sales, services and use tax revenue to repay the bonds issued in December 2017. The bonds were issued for the purpose of refinancing the Series 2009 Bond which was issued for the purpose of financing school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 21% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$882,473. For the current year, principal of \$231,693 and interest of \$21,304 was paid on the bonds and total statewide sales, services and use tax revenue was \$1,213,349.

The resolution providing for the issuance of the 2017 School Infrastructure Local Option Sales and Services Tax Revenue Bonds includes the following provisions:

- a) \$300,000 of the proceeds from the issuance of revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2020. The required reserve account was established by the District and no transfers were made to the sinking account.

NOTES TO FINANCIAL STATEMENTS

6. Long-term Debt Obligations (Continued)

Bond Indebtedness (Continued)

At June 30, 2020, the debt issued by the District did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 991,910,451
Debt limit - 5% of total assessed valuation	\$ 49,595,523
Debt applicable to debt limit:	
General obligation:	
Bonded debt outstanding	(848,702)
Capital leases	(351,021)
Legal debt margin	\$ 48,395,800

Early Retirement

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

2020 Early Retirement Plan

Early retirement 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 early retirement 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.

As of June 30, 2020, the District has obligations to eight participants with a total liability of \$230,211. Actual early retirement expenditures for the year ended June 30, 2020 totaled \$206,137.

Capital Leases

The District is obligated under a lease accounted for as a capital lease for computers. The leased assets are accounted for in the general fund. Capital assets under the capital lease totaled \$177,323 at June 30, 2020. The following is a schedule of future minimum lease payments under capital leases as of June 30, 2020.

Year Ending June 30,	Amount
2021	\$ 183,633
2022	183,634
	367,267
Less imputed interest	(16,246)
Present value of minimum lease payments	\$ 351,021

7. Pension Plan

Plan Description

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

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general 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. 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.

NOTES TO FINANCIAL STATEMENTS

7. Pension Plan (Continued)

Contributions (Continued)

In fiscal year 2020, 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, 2020 totaled \$811,948.

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

At June 30, 2020, the District reported a liability of \$6,367,522 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2019, the District's proportion was 0.109962%, which was an increase of 0.002118% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,096,467. At June 30, 2020, 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	\$ 17,653	\$ 228,943
Changes of assumptions	681,339	
Net difference between projected and actual earnings on IPERS' investments		717,770
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	68,208	141,252
District contributions subsequent to the measurement date	811,948	
Total	\$ 1,579,148	\$ 1,087,965

\$811,948 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2021	\$ 59,891
2022	(172,565)
2023	(99,693)
2024	(101,421)
2025	(6,977)
Total	\$ (320,765)

There were no non-employer contributing entities to IPERS.

7. Pension Plan (Continued)

Actuarial Assumptions

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

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

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

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

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

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

7. Pension Plan (Continued)

Discount Rate

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension liability	\$ 11,306,664	\$ 6,367,522	\$ 2,224,624

IPERS' Fiduciary Net Position

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

Payables to IPERS

At June 30, 2020, the 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.

8. Other Postemployment Benefits (OPEB)

Plan Description

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

OPEB Benefits

Individuals who are employed by the District and are eligible to participate in the group 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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	10
Active employees	<u>195</u>
Total	<u><u>205</u></u>

NOTES TO FINANCIAL STATEMENTS

8. Other Postemployment Benefits (OPEB)

Total OPEB Liability

The District's total OPEB liability of \$922,534 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions

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

Rate of inflation (effective June 30, 2020)	3.00% per annum.
Rates of salary increase (effective June 30, 2020)	3.25% per annum, based on general wage growth assumption of IPERS actuarial valuation.
Discount rate (effective June 30, 2020)	3.50% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2020)	7.50% 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 3.50% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2019 generational projection of future mortality improvement.

The actuarial assumptions used in the June 30, 2020 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	\$ 1,025,050
Changes for the year:	
Service cost	49,281
Interest cost	32,169
Difference between expected and actual experiences	(130,160)
Changes in assumptions	3,715
Benefit payments	(57,521)
Net changes	(102,516)
Total OPEB liability end of year	\$ 922,534

Changes of assumptions reflect a change in the discount rate of 3.58% from fiscal year 2019 to 3.50% in fiscal year 2020.

NOTES TO FINANCIAL STATEMENTS

8. Other Postemployment Benefits (OPEB)

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 (2.50%) or 1% higher (4.50%) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 991,719	\$ 922,534	\$ 858,105

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 (6.50%) or 1% higher (8.50%) than the current healthcare cost trend rates.

	1% Decrease (6.50%)	Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
Total OPEB liability	\$ 838,324	\$ 922,534	\$ 1,020,532

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$78,580. At June 30, 2020, the District reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following resources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 117,645	\$ 25,680
Changes in assumptions		51,051
Total	\$ 117,645	\$ 76,731

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

Year Ending June 30,	Amount
2021	\$ (2,870)
2022	(2,870)
2023	(2,870)
2024	(2,870)
2025	(2,870)
Thereafter	(26,564)
Total	\$ (40,914)

9. 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 \$6,000 for single coverage and \$1,000 and \$12,000 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 \$6,000 for single coverage and \$4,000 and \$12,000 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, 2020, 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, 2020 was unavailable as of February 12, 2021. The District's contributions to the trust for the years ended June 30, 2020, 2019, and 2018 were \$2,073,934, \$1,882,214, and \$1,808,318, respectively, which equaled the required contributions each year.

The District has dental coverage insurance under this 28E organization for employee dental coverage. The District contributes to the self-insurance. Professional services through the plan for the participants are limited to a combined maximum payment of \$1,000 per member per calendar year. The employees paid \$27,765 in dental insurance for the year ended June 30, 2020.

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, 2020, no liability has been recorded in the District's financial statements. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance company coverage.

10. Risk Management

Howard-Winneshiek Community School District is exposed to various risks of loss related to torts; theft of; 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.

11. Leases

The District has entered into various rental agreements with the following under the terms as described below.

- Northeast Iowa Community College rents space in the Cresco Center Building with semiannual payments of \$15,000. This agreement expired June 2020.
- The District rents a copier from Advanced Systems, Inc. with monthly payments of \$1,574. The agreement expires October 2025.

Total lease expense for the year ended June 30, 2020 was \$23,821.

12. 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 \$563,437 for the year ended June 30, 2020 and is recorded in the general fund by making a memorandum adjusting entry to the cash basis financial statements.

13. 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, 2020, 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 9, the District is contingently liable for any unreported claim or assessment in excess of their balance in the insurance pool.

14. 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, 2020.

Program	Amount
Talented and Gifted Program	\$ 71,469
Microsoft Settlement Program	32,213
Successful Progression for Early Readers	108,696
Market Factor	1,916
Market Factor Incentives	1,797
STEM Scale-Up Programs	47
Foster Care/Juvenile Home Advance	3,292
Iowa Early Intervention	91,713
Teacher Leadership	202,432
Teacher Salary Supplement	18,613
Teacher Quality	162,474
Professional Development	59,802
Total	\$ 754,464

15. Net Position Deficit

The governmental unrestricted fund has a deficit net position as of June 30, 2020. 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*.

16. 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.

16. 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, 2020 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	\$ 2,947
Howard County	Urban renewal and economic development projects	72,025

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, 2020, this reimbursement amounted to \$37,683.

17. Accounting Change

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2020. The new requirement changes the definition of fiduciary activity and establishes new financial reporting requirements for state and local governments which report fiduciary activity. Beginning net position for fiduciary funds was restated to retroactively report the change in net position, as follows:

	Fiduciary Activities
Net position June 30, 2019, as previously reported	\$ None
Change to implement GASBS No. 84	12,015
Net position July 1, 2019, as restated	\$ 12,015

18. Prospective Accounting Change

The Governmental Accounting Standards Board (GASB) has issued one statement not yet implemented by the District. This statement which might impact the District is as follows:

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the fiscal year ending June 30, 2022. The Statement increases the usefulness of governments' financial statement by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

The District's management has not yet determined the effect this statement will have on the District's financial statements.

19. COVID-19

The recent COVID-19 outbreak in the United States has disrupted the District's operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Accordingly, the District expects this matter to impact its net position, however, the related financial impact and duration cannot be reasonably estimated at this time. The Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted in March 2020 in response to the outbreak, which among other things contains numerous tax, emergency funding and other provisions. The District is currently evaluating the impact of the CARES Act on its operations and cash flows. The District directly received \$473,244 of funding from the CARES Act, of which \$154,174 was for the school emergency relief fund program and \$319,070 for the school nutrition program.

20. Subsequent Events

Management has evaluated subsequent events through February 12, 2021, 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, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amount	Final to Actual Variance- Positive (Negative)
REVENUES					
Local sources	\$ 8,328,757	\$ 246,757	\$ 8,575,514	\$ 8,650,149	\$ (74,635)
State sources	8,930,773	5,291	8,936,064	8,896,205	39,859
Federal sources	476,749	477,951	954,700	1,015,617	(60,917)
Total revenues	17,736,279	729,999	18,466,278	18,561,971	(95,693)
EXPENDITURES/EXPENSES					
Instruction	10,619,724		10,619,724	11,003,706	383,982
Support services	4,618,471		4,618,471	5,200,337	581,866
Non-instructional programs	26,866	874,366	901,232	830,465	(70,767)
Other expenditures	1,355,084		1,355,084	1,820,144	465,060
Total expenditures/expenses	16,620,145	874,366	17,494,511	18,854,652	1,360,141
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	1,116,134	(144,367)	971,767	(292,681)	1,264,448
OTHER FINANCING SOURCES (USES), NET	13,063	437	13,500	13,794	(294)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES/EXPENSES AND OTHER FINANCING USES	1,129,197	(143,930)	985,267	(278,887)	1,264,154
FUND BALANCES, beginning of year	4,594,242	261,838	4,856,080	4,730,768	125,312
FUND BALANCES, end of year	\$ 5,723,439	\$ 117,908	\$ 5,841,347	\$ 4,451,881	\$ 1,389,466

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
For the Year Ended June 30, 2020

This budgetary comparison is presented as required supplementary information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each 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 ended June 30, 2020, expenditures in the non-instructional function area exceeded the budgeted amounts.

See Independent Auditor's Report.

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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 Six Years*
 (In Thousands)

	2020	2019	2018
District's proportion of the net pension liability	0.109962%	0.107844%	0.107761%
District's proportionate share of the net pension liability	\$ 6,368	\$ 6,825	\$ 7,178
District's covered payroll	\$ 8,369	\$ 8,097	\$ 8,045
District's proportionate share of the net pension liability as a percentage of its covered payroll	76.09%	84.29%	89.22%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%

* 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.

<u>2017</u>	<u>2016</u>	<u>2015</u>
0.107559%	0.117669%	0.117805%
\$ 6,769	\$ 5,813	\$ 4,768
\$ 7,695	\$ 8,148	\$ 7,862
87.97%	71.34%	60.65%
81.82%	85.19%	87.61%

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

	2020	2019	2018	2017
Statutorily required contribution	\$ 812	\$ 790	\$ 723	\$ 718
Contributions in relation to the statutorily required contribution	(812)	(790)	(723)	(718)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 8,601	\$ 8,369	\$ 8,097	\$ 8,045
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.92%

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

2016	2015	2014	2013	2012	2011
\$ 687	\$ 728	\$ 702	\$ 643	\$ 583	\$ 510
(687)	(728)	(702)	(643)	(583)	(510)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 7,695	\$ 8,148	\$ 7,862	\$ 7,416	\$ 7,231	\$ 7,337
8.93%	8.93%	8.93%	8.67%	8.06%	6.95%

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
For the Year Ended June 30, 2020

Changes of Benefit Terms:

There are no significant changes in benefit terms.

Changes of Assumptions:

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

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

	2020	2019	2018
Service cost	\$ 49,281	\$ 49,363	\$ 47,809
Interest cost	32,169	36,590	35,633
Difference between expected and actual experiences	(130,160)		35,433
Changes in assumptions	3,715		65,804
Benefit payments	(57,521)	(67,214)	(49,368)
Net change in total OPEB liability	(102,516)	18,739	135,311
Total OPEB liability beginning of year	1,025,050	1,006,311	871,000
Total OPEB liability end of year	<u>\$ 922,534</u>	<u>\$ 1,025,050</u>	<u>\$ 1,006,311</u>
Covered-employee payroll	\$ 7,991,071	\$ 6,430,746	\$ 6,415,404
Total OPEB liability as a percentage of covered-employee payroll	11.54%	15.94%	15.69%

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

Changes in Benefit Terms:

There were no significant changes in benefit terms.

Changes in Assumptions:

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

Year Ended June 30, 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, 2020

	Special Revenue Funds	Capital Projects Fund Physical Plant and Equipment Levy	Total Nonmajor Funds
ASSETS			
Cash and pooled investments	\$ 1,279,437	\$ 318,861	\$ 1,598,298
Receivables:			
Property tax:			
Delinquent	8,654	6,157	14,811
Succeeding year	-	314,622	314,622
Accounts	4,519	8,784	13,303
Due from other funds	4,098		4,098
Due from other governments	3	200,861	200,864
Prepaid expenses	485	58,534	59,019
Total assets	\$ 1,297,196	\$ 907,819	\$ 2,205,015
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,936	\$ 9,709	\$ 13,645
Total liabilities	3,936	9,709	13,645
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax		314,622	314,622
Other		200,859	200,859
Total deferred inflows of resources	-	515,481	515,481
Fund balances:			
Nonspendable: prepaid expenses	485	58,534	59,019
Restricted for:			
Management levy purposes	965,818		965,818
Student activities	326,957		326,957
Physical plant and equipment		324,095	324,095
Total fund balances	1,293,260	382,629	1,675,889
Total liabilities, deferred inflows of resources and fund balances	\$ 1,297,196	\$ 907,819	\$ 2,205,015

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, 2020

	Special Revenue Funds	Capital Projects Fund Physical Plant and Equipment Levy	Total Nonmajor Funds
REVENUES			
Local sources:			
Property taxes	\$ 525,124	\$ 632,004	\$ 1,157,128
Other	232,621	31,874	264,495
State sources	6,633	4,793	11,426
Total revenues	764,378	668,671	1,433,049
EXPENDITURES			
Current:			
Instruction:			
Regular instruction	279,749		279,749
Other instruction	174,644		174,644
Support services:			
Instructional staff services		61,611	61,611
Administration services	6,462	56,563	63,025
Operation and maintenance plant services	84,818	160,557	245,375
Transportation services	54,175	59,177	113,352
Non-instructional	26,866		26,866
Other:			
Facilities acquisition		201,038	201,038
Total expenditures	626,714	538,946	1,165,660
EXCESS OF REVENUES OVER EXPENDITURES	137,664	129,725	267,389
OTHER FINANCING SOURCES (USES)			
Operating transfers in	4,098		4,098
Operating transfers out	(2,525)	(183,632)	(186,157)
Sale of capital assets		13,500	13,500
Net other financing sources (uses)	1,573	(170,132)	(168,559)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	139,237	(40,407)	98,830
FUND BALANCES, beginning of year	1,154,023	423,036	1,577,059
FUND BALANCES, end of year	\$ 1,293,260	\$ 382,629	\$ 1,675,889

See Independent Auditor's Report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2020

	Management Levy	Student Activity	Entrepreneurial Education	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 957,175	\$ 322,262		\$ 1,279,437
Receivables:				
Property tax:				
Delinquent	8,654			8,654
Accounts receivable		4,519		4,519
Due from other funds		4,098		4,098
Due from other governments	3			3
Prepaid expenses		485		485
Total assets	<u>\$ 965,832</u>	<u>\$ 331,364</u>	<u>\$ -</u>	<u>\$ 1,297,196</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 14	\$ 3,922	\$ -	\$ 3,936
Fund balances:				
Nonspendable: prepaids		485		485
Restricted	965,818	326,957		1,292,775
Total fund balances	<u>965,818</u>	<u>327,442</u>	<u>-</u>	<u>1,293,260</u>
Total liabilities and fund balances	<u>\$ 965,832</u>	<u>\$ 331,364</u>	<u>\$ -</u>	<u>\$ 1,297,196</u>

See Independent Auditor's Report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2020

	Management Levy	Student Activity	Entrepreneurial Education	Total Nonmajor Special Revenue Funds
REVENUES				
Local sources:				
Local property tax	\$ 525,124			\$ 525,124
Other	11,529	\$ 221,092		232,621
State sources	6,633			6,633
Total revenues	543,286	221,092	\$ -	764,378
EXPENDITURES				
Current:				
Instruction:				
Regular instruction	279,749			279,749
Other instruction		174,644		174,644
Support services:				
Administration services	6,462			6,462
Operation and maintenance plant services	84,818			84,818
Transportation services	54,175			54,175
Non-instructional	6,866		20,000	26,866
Total expenditures	432,070	174,644	20,000	626,714
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	111,216	46,448	(20,000)	137,664
OTHER FINANCING SOURCES (USES)				
Operating transfers in		4,098		4,098
Operating transfers out		(2,525)		(2,525)
Net other financing sources (uses)	-	1,573	-	1,573
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	111,216	48,021	(20,000)	139,237
FUND BALANCES, beginning of year	854,602	279,421	20,000	1,154,023
FUND BALANCES, end of year	\$ 965,818	\$ 327,442	\$ -	\$ 1,293,260

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, 2020

	Balance June 30, 2019	Revenues and Transfers	Expenditures and Transfers	Balance June 30, 2020
High School Athletic General				
High School Football	\$ -	\$ 15,240	\$ 12,251	\$ 2,989
Girls High School Basketball	-	6,626	6,626	-
Boys High School Basketball	-	5,594	5,594	-
High School Wrestling	-	11,094	11,094	-
High School Baseball	-	5,407	5,407	-
High School Golf	-	1,140	1,140	-
High School Track	-	710	710	-
High School Softball	-	5,908	5,908	-
High School Volleyball	-	5,729	5,729	-
High School Cross Country	-	2,152	2,152	-
Weight/Training Room	-	1,204	1,204	-
High School Yearbook	6,980	15,923	13,093	9,810
FFA	102,136	49,264	44,321	107,079
Robe Fund	85			85
High School Student Council	10,011	1,717	1,676	10,052
Junior Prom	1,495			1,495
Cresco Elementary	28,551	47,902	20,191	56,262
Junior High Drama	6,420		1,091	5,329
Junior High Vocal	18,180			18,180
Junior High Instrumental	17,383	4,034	2,544	18,873
Junior High Yearbook	798	1,120	776	1,142
Junior High Magazine Sales	-	21		21
Junior High Student Council	15,085	1,529	766	15,848
Junior High Cheerleaders	863			863
High School Drama	13,342	2,204	2,506	13,040
High School Speech	-	2,229	2,229	-
High School Vocal	35,963	15,533	13,371	38,125
High School Instrumental	6,720	605	4,098	3,227
Co-Ed Athletics	15,409	66,872	57,744	24,537
	<u>\$ 279,421</u>	<u>\$ 269,757</u>	<u>\$ 222,221</u>	<u>\$ 326,957</u>

See Independent Auditor's Report.

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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			
	2020	2019	2018	2017
REVENUES				
Local sources:				
Local property tax	\$ 7,483,031	\$ 7,231,746	\$ 6,926,631	\$ 6,677,252
Tuition	329,218	310,296	207,865	247,294
Other	516,508	577,913	640,092	646,004
State sources	8,930,773	8,388,959	8,340,927	8,309,890
Federal sources	476,749	486,123	561,053	443,448
	<u>17,736,279</u>	<u>16,995,037</u>	<u>16,676,568</u>	<u>16,323,888</u>
Total revenues	\$ 17,736,279	\$ 16,995,037	\$ 16,676,568	\$ 16,323,888
EXPENDITURES				
Current:				
Instruction:				
Regular instruction	\$ 6,428,115	\$ 6,375,828	\$ 5,886,856	\$ 6,190,192
Special instruction	2,403,014	2,264,644	2,145,160	2,132,660
Other instruction	1,788,595	1,978,450	2,169,064	1,995,299
Support services:				
Student services	407,065	404,088	455,443	429,452
Instructional staff services	537,269	556,894	693,285	1,488,882
Administration services	1,483,943	1,466,192	1,423,328	1,296,560
Operation and maintenance plant services	1,317,363	1,434,890	1,166,410	1,172,093
Transportation services	872,831	857,494	887,671	1,084,715
Non-instructional	26,866	4,840	6,162	6,274
Other:				
Facilities acquisition	355,017	795,633	845,597	2,515,840
Long-term debt:				
Principal	399,401	389,955	2,086,095	190,000
Interest and fiscal charges	37,229	46,676	89,778	82,572
Bond issuance cost			42,610	
AEA flowthrough	563,437	560,351	565,058	551,687
	<u>16,620,145</u>	<u>17,135,935</u>	<u>18,462,517</u>	<u>19,136,226</u>
Total expenditures	\$ 16,620,145	\$ 17,135,935	\$ 18,462,517	\$ 19,136,226

See Independent Auditor's Report.

SCHEDULE 6

Modified Accrual Basis					
2016	2015	2014	2013	2012	2011
\$ 6,472,589	\$ 6,695,350	\$ 7,138,428	\$ 8,096,621	\$ 7,671,340	\$ 7,209,612
318,757	342,392	414,707	373,108	280,217	215,829
562,824	647,737	821,750	602,319	724,921	730,909
8,262,836	8,552,223	8,591,488	7,436,402	7,584,557	7,126,600
506,527	593,435	583,782	1,362,133	897,573	948,442
<u>\$ 16,123,533</u>	<u>\$ 16,831,137</u>	<u>\$ 17,550,155</u>	<u>\$ 17,870,583</u>	<u>\$ 17,158,608</u>	<u>\$ 16,231,392</u>
\$ 5,975,635	\$ 6,524,483	\$ 6,260,318	\$ 6,193,132	\$ 5,751,496	\$ 5,521,930
1,979,203	1,816,409	1,750,538	1,961,159	1,821,307	1,748,611
1,990,107	1,856,198	1,788,504	2,167,596	2,013,024	1,932,675
454,743	456,869	390,141	397,838	346,167	308,468
414,337	440,222	528,603	370,300	652,069	498,324
1,328,790	1,562,157	1,502,743	1,412,033	1,295,175	1,304,088
1,173,308	1,472,265	1,748,137	1,382,162	1,094,810	1,189,005
1,136,095	1,287,282	1,165,476	1,095,210	1,091,216	994,951
10,259	20,068	19,246	25,252	24,253	25,141
821,272	1,081,443	731,901	1,238,707	631,166	158,279
428,436	243,088	657,855	420,000	600,000	645,000
93,413	99,069	123,304	125,108	151,307	194,239
564,600	565,287	561,136	544,490	545,142	594,473
<u>\$ 16,370,198</u>	<u>\$ 17,424,840</u>	<u>\$ 17,227,902</u>	<u>\$ 17,332,987</u>	<u>\$ 16,017,132</u>	<u>\$ 15,115,184</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

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

- (a) 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.
- (b) One significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. No material weaknesses noted.
- (c) 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.
- (d) One significant deficiency in internal control over the major federal award programs was disclosed by the audit of the financial statements. No material weaknesses noted.
- (e) 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.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).
- (g) The programs tested as major programs were as follows:
 - Clustered programs:
 - Child Nutrition Cluster:
 - CFDA Number 10.553 - U.S. Department of Agriculture - School Breakfast Program
 - CFDA Number 10.555 - U.S. Department of Agriculture - National School Lunch Program
 - CFDA Number 10.555 - USDA Child Nutrition Program CARES Grants to States (COVID-19 SFSP)
 - CFDA Number 10.559 - U.S. Department of Agriculture - Summer Food Service Program for Children
- (h) The threshold used for distinguishing between Type A and Type B programs was \$750,000.
- (i) Howard-Winneshiek Community School District was not 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, 2020

Part II: Findings Related to the Financial Statements:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

Finding 2020-001 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.

**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-WINNESHIK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Part III: Findings and Questioned Costs for Federal Awards:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

- CFDA Number 10.553 - U.S. Department of Agriculture - School Breakfast Program
 - CFDA Number 10.555 - U.S. Department of Agriculture - National School Lunch Program
 - CFDA Number 10.555 – USDA Child Nutrition Program CARES Grants to States (COVID-19 SFSP)
 - CFDA Number 10.559 - U.S. Department of Agriculture - Summer Food Service Program for Children
- Federal Award Year: 2020
Passed through the Iowa Department of Education
See 2020-001 above.

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated February 12, 2021.

See Independent Auditor's Report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

Grantor/Program Title	Federal CFDA Number	Grant Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Passed through Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY20	\$ <u>38,898</u>
National School Lunch Program	10.555	FY20	277,764 *
USDA Child Nutrition Program CARES Grants to States (COVID-19 SFSP)	10.555	FY20	<u>118,148</u>
Total National School Lunch Program			<u>395,912</u>
Summer Food Service Program for Children	10.559	FY20	<u>43,974</u>
Total U.S. Department of Agriculture			<u>478,784</u>
U.S. Department of Education:			
Passed through Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY20	208,417
Career and Technical Education - Basic Grants to States	84.048	FY20	16,213
Supporting Effective Instruction State Grant	84.367	FY20	38,239
Special Education Grants to States	84.027	FY20	59,409
Title IV Student Support and Academic Enrichment Program	84.424	FY20	6,966
Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund) (ESSER Fund)	84.425D	FY20	<u>15,039</u>
Total U.S. Department of Education			<u>344,283</u>
Total Federal Financial Assistance			<u>\$ <u>823,067</u></u>

*Includes \$83,150 of non-cash awards.

See Independent Auditor's Report.

HOWARD-WINNESHIK COMMUNITY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

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, 2020. 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:

- 1) 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.

- 2) Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate:

Howard-Winneshiek Community School District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Subrecipients:

There were no awards passed through to subrecipients.

See Independent Auditor's Report.

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

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, 2020, and the related notes to the financial statements, which collectively comprise Howard-Winneshiek Community School District's basic financial statements and have issued our report thereon dated February 12, 2021.

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 have not been 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 2020-001 that we consider to be a significant deficiency.

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*.

Howard-Winneshiek Community School District's Response to Finding

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

Purpose of this Report

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

Decorah, Iowa
February 12, 2021

**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

We have audited Howard-Winneshiek Community School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Howard-Winneshiek Community School District's major federal programs for the year ended June 30, 2020. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Howard-Winneshiek Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Howard-Winneshiek Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Howard-Winneshiek Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Howard-Winneshiek Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of Howard-Winneshiek Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Howard-Winneshiek Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Howard-Winneshiek Community School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Howard-Winneshiek Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Howard-Winneshiek Community School District's response was not subjected to the 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., P.C.

Decorah, Iowa
February 12, 2021

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, 2020, 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 February 12, 2021, contains our report on the District's internal control over financial reporting. This letter does not affect our report dated February 12, 2021, on the basic financial statements of the Howard-Winneshiek Community School District. Comment numbers 8 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, 2020 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, 2020, expenditures in the non-instructional function area exceeded the budgeted amounts.

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 employees:

- * The transaction with Stephanie Scholbrock consisted of total payments to Scholbrock Masonry of \$15,820. Stephanie Scholbrock is the owner of Scholbrock Masonry.
- * The transaction with Tammy Courtney consisted of total payments to Cresco Fire Safety Equipment of \$1,640.75. Tammy Courtney is part owner of Cresco Fire Safety Equipment.
- * The transaction with Kim Kerian consisted of total payments to Culligan Water Conditioning of \$3,445.68. Kim Kerian's husband owns Culligan Water Conditioning.
- * The transaction with Denise Sheehy consisted of total payments to H&S Motors of \$13,856.14. Denise Sheehy's husband owns H&S Motors.
- * The transaction with Brent Mehmert consisted of total payments to Mehmert Tiling Inc. of \$3,817.05. Brent Mehmert is part owner of Mehmert Tiling Inc.
- * The transaction with Dave Gosch & Kelli Gosch consisted of total payments to Gosch's Inc. of \$20. Dave Gosch & Kelli Gosch are part owners of Gosch's 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.

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

We noted one variance in the basic enrollment data certified to the Iowa Department of Education. One student was missed being certified with the District. This is due in part to the student starting out as home schooled.

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.

9. Supplementary Weighting

No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

10. Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

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.

For the year ended June 30, 2020, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,142,688
Statewide sales, services and use tax	\$ 1,213,349	
Other	16,611	1,229,960
	<hr/>	
Expenditures/transfers out:		
School infrastructure:		
Equipment and architect	153,979	
Transfers to other funds	252,998	406,977
	<hr/>	<hr/>
Ending balance		\$ 1,965,671

For the year ended June 30, 2020, 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
	<hr/>	<hr/>
Debt service levy	\$ 0.75	\$ 436,631
PPEL Levy Reduction	1.33	776,718
		<hr/>
		\$ 1,213,349

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-six invoices tested, we noted the following:

- Eleven general fund and four student activity fund payments where the orders 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.

16. Negative Lunch Accounts

During our audit, we noted that there were twenty-eight students whose lunch accounts had negative balances over \$30.

Recommendation

On a monthly basis, the school nutrition director should notify the business office of all negative account balances over \$30. Consider sending out invoices with reference to potentially sending to a collection agency to those over the \$30. Include in the registration packet an invoice to have them pay the bill before school starts or work out a payment plan to discuss free/reduced school lunch program.

Response and Corrective Action Planned

Management is aware of the issue and committed to reinforce existing policy.

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.

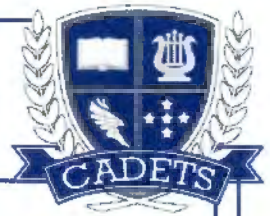
Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Haack, Nelson & Co., P.C.

Decorah, Iowa
February 12, 2021

Howard-Winneshiek Community School District

1000 Schroder Drive Cresco, Iowa 52136 563.547.2762



CORRECTIVE ACTION PLAN

February 12, 2021

To: U.S. Department of Agriculture

Howard-Winneshiek Community School District respectfully submits the following corrective action plan for the year ended June 30, 2020.

Name and address of independent public accounting firm:

Hacker, Nelson & Co., P.C.
123 W. Water Street
Decorah, IA 52101

Audit period: Year ended June 30, 2020.

The finding from the June 30, 2020 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the numbers assigned in the schedule.

FINDING - FEDERAL AWARDS PROGRAM AUDIT

U.S. Department of Agriculture

2020 - School Breakfast Program - CFDA No. 10.553

2020 - National School Lunch Program - CFDA No. 10.555

2020 - USDA Child Nutrition Program CARES Grants to States (COVID-19 SFSP) - CFDA No. 10.555

2020 - Summer Food Service Program for Children - CFDA No. 10.559

Significant Deficiency: See Finding 2020-001

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.

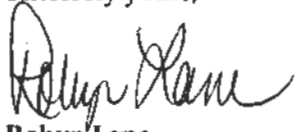
Action Taken: Management is cognizant of this limitation and will implement additional procedures where possible.

Our mission is to prepare and empower our students to think creatively, serve, contribute and succeed locally and globally.

Page 2

If the U.S. Department of Agriculture has questions regarding this plan, please call Robyn Lane, Business Manager and District Secretary/Treasurer, at 563-547-2762.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Robyn Lane".

Robyn Lane

Howard-Winneshiek Community School District
Business Manager and District Secretary/Treasurer

cc: Neil W. Schraeder, CPA

Howard-Winneshiek Community School District

1000 Schroder Drive Cresco, Iowa 52136 563.547.2762



HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended June 30, 2019

U.S. Department of Agriculture

Finding 2019-001: Child Nutrition Cluster

CFDA Number 10.553 - School Breakfast Program

CFDA Number 10.555 - National School Lunch Program

CFDA Number 10.559 - Summer Food Service Program for Children

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.

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.

Current Status: Management is cognizant of this limitation and will implement additional procedures where possible.