Muscatine Community School District
Muscatine, Iowa

Financial Report
Year Ended June 30, 2017

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Muscatine Community School District

Officials
Year Ended June 30, 2017

Name	Title	Term Expires
Board of Education		
Tammi Drawbaugh	President	2017
Mary Wildermuth	Vice President	2019
Timothy Bower	Board Member	2017
John DaBeet	Board Member	2019
Aaron Finn	Board Member	2019
Nathan Mather	Board Member	2019
Randy Naber	Board Member	2017
School Officials		
Jerry Riibe	Superintendent	2017
Tom Anderson	Director of Finance	2017
Lisa Mosier Bunn	District Secretary	2017
Ahlers & Cooney, P.C.	Attorney	Indefinite

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Bohnsack & Frommelt LLP
Certified Public Accountants

Independent Auditor's Report

To the Board of Education
Muscatine Community School District
Muscatine, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Muscatine Community School District, as of and for the year ended June 30, 2017, 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 entity'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 entity'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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Muscatine Community School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, budgetary comparison information, schedule of proportionate share of the net pension liability, and schedule of contributions on pages 4–14 and 47-53 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 auditing standards generally accepted in the United States of America, 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 the District's basic financial statements. The other supplementary information as listed in the table of contents and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information as listed in the table of contents and 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The District's basic financial statements for the years ended June 30, 2008 through 2014, which are not presented herein, were audited by other auditors whose report thereon dated March 2, 2015, expressed unmodified opinions on the basic financial statements. Their report on the Schedule of Revenues by Source and Expenditures by Function for the years ended June 30, 2008 through 2014 stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements as a whole for the years ended June 30, 2008 through 2014 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2018 on our consideration of the 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 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 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 the District's internal control over financial reporting and compliance.

Bohnsack & Frommelt LLP

Moline, Illinois
January 26, 2018

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Muscatine 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, 2017. We encourage readers to consider this information in conjunction with the District's financial statements, which follow:

2016-17 FINANCIAL HIGHLIGHTS

The District showed an increase in net position of $2,184,681 and $6,437,494 during the years ended June 30, 2017 and 2016, respectively.

Total revenues for the fiscal year ended June 30, 2017 and 2016 of $69,303,337 and $68,698,079 were comprised of general revenues in the amount of $53,282,770 and $53,070,255 and program revenues totaling $16,020,567 and $15,627,824, respectively.

As of June 30, 2017, the District's governmental funds reported combined fund balances of $22,850,047 an increase of $3,982,250 in comparison to 2016. As of June 30, 2016, the District's governmental funds reported combined fund balances of $18,867,797, an increase of $6,420,819 in comparison to 2015.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Muscatine Community School District as a whole and present an overall view of the District's finances.
- The fund financial statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Muscatine Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Muscatine Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Other supplementary information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefitting the District.

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

Figure A-1
Muscatine Community School District Annual Financial Report

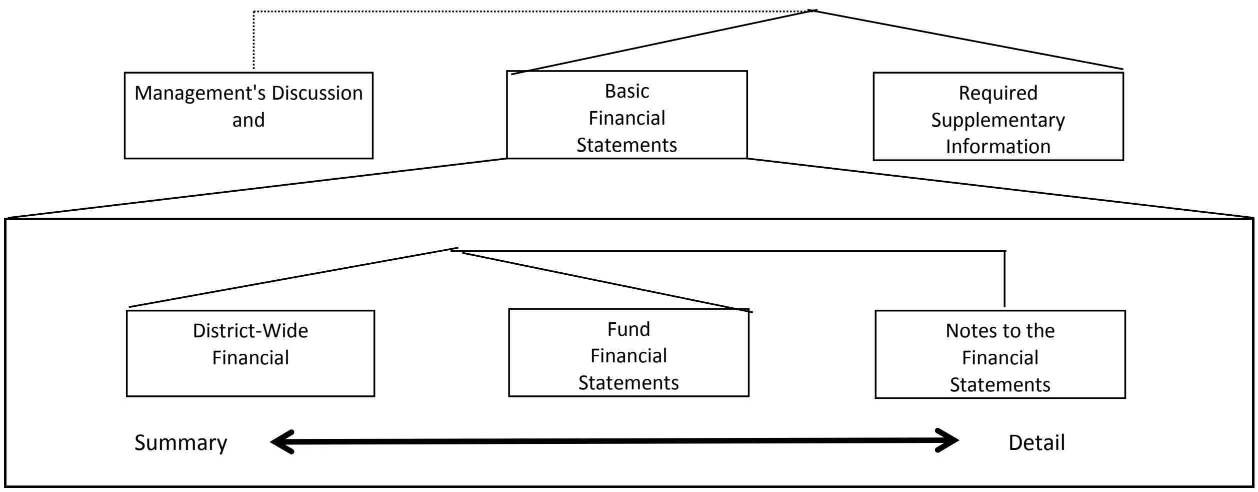

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: school nutrition and internal service fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs, reunion moneys and funds for District employee purchases of pop, etc.
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, and liabilities and deferred inflows of resources. 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 statements report the District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows and liabilities and deferred inflows – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional nonfinancial 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 three categories:

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help it cover the costs of certain services it provides. The District's school nutrition program is included here.

Component unit: This includes the activities of the Muscatine Community School Foundation. The Foundation is a legally separate entity; however, the District appoints the Board of Directors and receives significant financial benefits from the Foundation.

Fund Financial Statements

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

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

The District has 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. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between the two statements.

The District's major governmental funds for 2016-17 were the General Fund and the Capital Projects Fund. The nonmajor governmental funds include three Special Revenue Funds (the Management Fund, Student Activities Fund, and Support Trust Fund) and the Debt Service Fund. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. **Proprietary funds**: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, 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 funds**: The District is the trustee, or fiduciary, for assets that belong to others. This fund type includes Private-Purpose Trust Fund and Agency Fund.

   Private-Purpose Trust Fund: The District accounts for outside donations for scholarships for individual students in this fund.

   Agency Fund: These are funds for which the District accounts for certain revenue collected for District employee purchases.

   The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The 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 fiduciary funds of the District include a statement of fiduciary net position, a statement of changes in fiduciary net position, and, for agency funds, statement of fiduciary assets and liabilities.

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

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net position as of June 30, 2017 compared to June 30, 2016.

Figure A-3 Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Current and other assets	$ 50,800,988	$ 46,380,309	$ 1,057,903	$ 656,944	$ 51,858,891	$ 47,037,253
Capital assets	44,299,135	45,702,866	159,578	178,122	44,458,713	45,880,988
Total assets	95,100,123	92,083,175	1,217,481	835,066	96,317,604	92,918,241
Deferred outflows of resources	7,957,951	7,540,708	244,788	245,223	8,202,739	7,785,931
Long-term liabilities	33,069,874	26,395,283	1,051,818	834,575	34,121,692	27,229,858
Other liabilities	8,588,019	8,468,221	116,015	136,960	8,704,034	8,605,181
Total liabilities	41,657,893	34,863,504	1,167,833	971,535	42,825,726	35,835,039
Deferred inflows of resources	19,873,102	25,071,123	23,434	184,610	19,896,536	25,255,733
Net position:						
Net investment in capital assets	44,299,135	45,702,866	159,578	178,122	44,458,713	45,880,988
Restricted	10,634,314	8,549,840	-	-	10,634,314	8,549,840
Unrestricted	(13,406,370)	(14,563,450)	111,424	(253,978)	(13,294,946)	(14,817,428)
Total net position	$ 41,527,079	$ 39,689,256	$ 271,002	$ (75,856)	$ 41,798,081	$ 39,613,400

The District's combined net position as of June 30, 2017 grew by $2,184,681 (5.5%) over the June 30, 2016 combined net position. Net position in the governmental activities grew by $1,837,823 (4.6%). The net position of the District's business-type activities increased by $346,858 (457.3%).

The most significant factors for the increase in net position of the District were maintaining expenditures and improved performance of the investments of the District's pension system.

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 decreased by $2,084,474 (24.4%) primarily due to increases in net resources restricted for school infrastructure to purchase and construct capital projects in the future.

Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) increased by $1,522,482 (10.3%).

Figure A-4 shows the changes in net position for the year ended June 30, 2017 compared to the year ended June 30, 2016.

Figure A-4 Changes in Net Position From Operating Results

	Governmental Activities		Business-Type Activities		Total School District	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenues:						
Program revenues:						
Charges for services	$ 1,819,678	$ 1,700,056	$ 1,010,732	$ 940,384	$ 2,830,410	$ 2,640,440
Operating grants and contributions	11,333,959	11,170,454	1,856,198	1,816,930	13,190,157	12,987,384
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	19,499,622	19,145,356	-	-	19,499,622	19,145,356
Income surtax	320,449	288,944	-	-	320,449	288,944
State foundation aid	27,659,942	28,014,759	-	-	27,659,942	28,014,759
Statewide sales and services tax	5,005,378	5,021,639	-	-	5,005,378	5,021,639
Revenue in lieu of tax	741,288	561,850	-	-	741,288	561,850
Other	55,307	37,564	784	143	56,091	37,707
Total revenues	66,435,623	65,940,622	2,867,714	2,757,457	69,303,337	68,698,079
Expenses:						
Instruction	43,347,977	41,338,720	-	-	43,347,977	41,338,720
Support services	18,989,867	16,183,821	159,950	172,720	19,149,817	16,356,541
Noninstructional	71,289	39,303	2,360,906	2,298,429	2,432,195	2,337,732
Other	2,188,667	2,227,592	-	-	2,188,667	2,227,592
Total expenses	64,597,800	59,789,436	2,520,856	2,471,149	67,118,656	62,260,585
Increase in net position	$ 1,837,823	$ 6,151,186	$ 346,858	$ 286,308	$ 2,184,681	$ 6,437,494
Net position, beginning	39,689,256	33,538,070	(75,856)	(362,164)	39,613,400	33,175,906
Net position, ending	41,527,079	39,689,256	271,002	(75,856)	41,798,081	39,613,400

In 2016-17, property taxes, income surtax, state foundation aid, statewide sales and services tax, and revenue in lieu of tax accounted for 76.8% of the revenue from governmental activities while charges for services and grants and contributions accounted for 99.9% of the revenue from business-type activities.

The District's expenses primarily relate to instructional and support services which account for 93.1% of the total expenses.

Total revenue for the District increased by $605,258 (0.9%) in the fiscal year ended June 30, 2017. The most significant revenue category change was due to an increase in property tax revenues. Property taxes increased $354,266 (1.9%) primarily due to an approximate 4.00% increase in assessed valuation and an approximate 2.00% decrease in tax rates.

Total District expenses increased by $4,858,071 (7.8%), which was mainly attributable to increases in other postemployment benefit and pension benefit expenses and the loss on the sale of a school building.

Governmental Activities

Revenue for the District's governmental activities in 2016-17 increased by $495,001 (0.75%) from the previous year, while total expenses increased by $4,808,364 (8.0%). Governmental activities net position as of June 30, 2017 increased by $1,837,823 (4.6%) over the June 30, 2016 balance.

The table below presents the total and net cost of the District's four major governmental activities: instruction, support services, noninstructional programs and other expenses, for the year ended June 30, 2017 compared to the year ended June 30, 2016.

	Total Cost of Services		Net Cost of Services	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Instruction	$ 43,347,977	$ 41,338,720	$ 32,959,704	$ 30,737,494
Support services	18,989,867	16,183,821	18,413,170	15,580,279
Noninstructional	71,289	39,303	71,289	39,303
Other	2,188,667	2,227,592	-	-
Total	$ 64,597,800	$ 59,789,436	$ 51,444,163	$ 46,357,076

For the year ended June 30, 2017:

- The cost financed by the users of the District's programs was $1,819,678.
- Federal and state governments and some local sources subsidized certain programs with grants and contributions totaling $11,333,959.
- The net cost of governmental activities was financed with $19,499,622 in property taxes, $320,449 in income surtax, $27,659,942 of unrestricted state grants, $5,005,378 in statewide sales and services tax revenue, $741,288 in revenue in lieu of tax and $55,307 in other revenues.

For the year ended June 30, 2016:

- The cost financed by the users of the District's programs was $1,700,056.
- Federal and state governments and some local sources subsidized certain programs with grants and contributions totaling $11,170,454.
- The net cost of governmental activities was financed with $19,145,356 in property taxes, $288,944 in income surtax, $28,014,759 of unrestricted state grants, $5,021,639 in statewide sales and services tax revenue, $561,850 in revenue in lieu of tax and $37,564 in other revenues.

Business-Type Activities

The District's business-type activities include the School Nutrition Fund. Revenues of the District's business-type activities in 2016-17 were $2,867,714, an increase of $110,257 (4.00%) from 2015-16. The District increased meal prices from 2015-2016. Expenses were $2,520,856; an increase of $49,707 (2.01%) from 2015-16 primarily due to increases in other postemployment and pension benefits.

Individual Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of $22,850,047, which reflects an increase from last year's ending fund balances of $18,867,797. The primary reason for the increase in the combined fund balances at the end of the 2016-17 fiscal year is due to an increase in the General Fund net position of $1,775,943 from increased state categorical program revenue and increase in the Capital Projects Fund of $2,224,221 due to statewide sales services and use tax revenue of $4,955,732 being spent on projects of $2,138,862 in the current year.

Governmental Fund Highlights

- The fund balance in the District's General Fund increased by $1,775,943 from $11,846,158 as of June 30, 2016 to $13,622,101 as of June 30, 2017. The General Fund experienced an increase in state sources of revenue primarily due to categorical programs.
- The fund balance in the Capital Projects Fund increased by $2,224,221. The statewide sales, service and use tax generated $131,962 less in revenue in 2016-17 than in the previous fiscal year. Local tax generated from the physical plant and equipment levy was $1,859,649 compared to the prior year of $1,801,520 which represents a $58,129 increase from 2015-16. Total capital projects expenditures were $5,169,632 in 2016-17 compared to $3,244,625 in 2015-16. In the current year, major expenditures included the Jefferson Elementary School playground, several bus purchases, and auditorium seating.

Proprietary Fund Highlights

The net position of the Nutrition Fund increased by $346,858 (457.3%) during 2016-17 primarily due to increases in meal prices and federal grant revenues while maintaining expenses from the prior year.

Budgetary Highlights

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District uses the GAAP (Generally Accepted Accounting Principles) method of accounting for budgeting purposes. The District did not amend the budget during the fiscal year.

Iowa law requires that actual spending in each functional area of the budget does not exceed the amount budgeted to be spent in that functional area at any time during the fiscal year. It should also be noted that school districts have two levels of budgetary control. One form of budgetary control exists through the certified budget, which includes all funds of the District as noted above. This budget is certified with the County Auditor and the Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority. The other level of budgetary control is the unspent (maximum) authorized budget and pertains only to the General Fund of the District. The maximum authorized budget is the total spending authority in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the actual General Fund cash. It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

Total revenues were $376,175 more than budgeted, a variance of 0.55%. Total expenditures were $1,819,911 less than budgeted, a variance of 2.71%. While total expenditures were less than budgeted, the District exceeded budget expenditures in the noninstructional programs function due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2016-17 fiscal year, the District had invested $44,458,713 (net of accumulated depreciation of $40,754,410) in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment and administrative offices. This amount represents a net decrease of $1,422,275 or 3.1% from last year. (More detailed information about capital assets can be found in Note 3 to the financial statements). Total depreciation expense for the year was $3,164,311.

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Land	$ 1,454,234	$ 1,510,734	$ -	$ -	$ 1,454,234	$ 1,510,734
Construction in progress	481,356	566,111	-	-	481,356	566,111
Buildings	38,124,340	40,373,995	-	-	38,124,340	40,373,995
Improvements other than buildings	2,472,117	1,517,241	-	-	2,472,117	1,517,241
Furniture and equipment	1,767,088	1,734,785	159,578	178,122	1,926,666	1,912,907
Total	$ 44,299,135	$ 45,702,866	$ 159,578	$ 178,122	$ 44,458,713	$ 45,880,988

Long-Term Liabilities

As of June 30, 2017, the District had the following long-term liabilities:

	Governmental Activities		Business-Type Activities		Total School District	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Early retirement	$ 2,000,920	$ 2,239,630	$ -	$ -	$ 2,000,920	$ 2,239,630
Net OPEB liability	2,037,951	1,285,875	107,123	64,833	2,145,074	1,350,708
Net pension liability	29,342,338	23,685,524	944,695	769,742	30,287,033	24,455,266
Total	$ 33,381,209	$ 27,211,029	$ 1,051,818	$ 834,575	$ 34,433,027	$ 28,045,604

More information regarding the District's long-term liabilities is provided in Note 4, 5, and 6 to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- State funding, known as supplemental state aid (SSA), is critical to funding educational programs. There is currently some uncertainty in the state budget, which may result in inadequate funding for schools.

- The District experienced another decline in student enrollment on the October 1, 2017 certified enrollment. The total school age students provided instructional programs/services by our district is down 151.93 students and the weighted enrollment that is used to calculate budget authority is down 148.53 students. Since one of the major factors in determining the District's budget authority or ability to spend is enrollment, this decline will have a major impact on future budgets, staffing, and facility needs.

- The District has no general obligation bonded indebtedness.

- A new Jefferson Elementary building was completed in 2016 and because of the District's desire not to have bonded - indebtedness or to borrow money, the cash flow in the Capital Projects Fund was greatly affected. With the commitment for funds toward the Jefferson construction project now complete, the District has begun a facilities plan to continue updating older facilities.

- The District ended fiscal year 2017 with a positive solvency ratio of 22.5%. This is an increase from the previous year solvency ratio of 19.1%. Unspent spending authority rose to 15.2% from 13.7% from fiscal year 2016 to 2017. Both of these ratios are a measurement of financial health for the District's general operating fund.

- The condition of the national, state, and local economies directly affects the future economics of the school. Actions taken by the president, congress, and the governor and state legislators to balance the federal and state budgets affect education funding. Federal sequestration, property tax reform, education reform, and Every Student Succeeds Act (ESSA) are just a few issues on the horizon.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tom Anderson, Director of Finance and Budgeting, Muscatine Community School District, 2900 Mulberry Avenue, Muscatine, Iowa 52761.

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Muscatine Community School District

Statement of Net Position
June 30, 2017

	Primary Government			Muscatine Community School Foundation
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	$ 29,464,815	$ 925,708	$ 30,390,523	$ 2,523,270
Receivables:				
Property tax:				
Current year	184,571	-	184,571	-
Succeeding year	19,123,994	-	19,123,994	-
Accounts	104,608	34,410	139,018	-
Income surtax	299,980	-	299,980	-
Due from other governments	1,623,020	-	1,623,020	-
Inventories	-	97,785	97,785	-
Capital assets:				
Nondepreciable	1,935,590	-	1,935,590	-
Depreciable, net	42,363,545	159,578	42,523,123	-
Total assets	95,100,123	1,217,481	96,317,604	2,523,270
Deferred Outflows of Resources,				
pension related deferred outflows	7,957,951	244,788	8,202,739	-
Liabilities				
Accounts payable	2,579,958	6,351	2,586,309	13,743
Salaries and benefits payable	5,696,726	64,064	5,760,790	-
Unearned revenue	-	45,600	45,600	-
Long-term liabilities:				
Portion due within one year:				
Early retirement	311,335	-	311,335	-
Portion due after one year:				
Early retirement	1,689,585	-	1,689,585	-
Net OPEB liability	2,037,951	107,123	2,145,074	-
Net pension liability	29,342,338	944,695	30,287,033	-
Total liabilities	41,657,893	1,167,833	42,825,726	13,743
Deferred Inflows of Resources				
Succeeding year property tax	19,123,994	-	19,123,994	-
Pension related deferred inflows	749,108	23,434	772,542	-
Total deferred inflows of resources	19,873,102	23,434	19,896,536	-
Net Position				
Net investment in capital assets	44,299,135	159,578	44,458,713	-
Restricted for:				
Categorical funding	1,156,085	-	1,156,085	-
Management levy	968,826	-	968,826	-
Physical plant and equipment levy	1,034,046	-	1,034,046	-
Student activities	409,639	-	409,639	-
School infrastructure	7,012,200	-	7,012,200	-
Instructional programs	53,518	-	53,518	-
Scholarships and grants	-	-	-	2,373,521
Unrestricted	(13,406,370)	111,424	(13,294,946)	136,006
Total net position	$ 41,527,079	$ 271,002	$ 41,798,081	$ 2,509,527

See Notes to Financial Statements.

Muscatine Community School District

Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Charges for Services
Governmental activities:		
Instruction	$ 43,347,977	$ 1,769,396
Support services:		
Student services	1,633,616	-
Instructional staff services	1,095,563	-
Administration services	7,388,213	-
Operation and maintenance of plant services	6,741,682	-
Transportation services	2,130,793	50,282
	18,989,867	50,282
Noninstructional programs	71,289	-
Other expenditures:		
AEA flowthrough	2,188,667	-
Total governmental activities	64,597,800	1,819,678
Business-type activities:		
Food service operations, support services:		
Administration services	159,950	-
	159,950	-
Food service operations, noninstructional programs	2,360,906	1,010,732
Total business-type activities	2,520,856	1,010,732
Total primary government	$ 67,118,656	$ 2,830,410
Component unit:		
Muscatine community school foundation	$ 168,736	$ -
General revenues:		
Property tax levied for:		
General purposes		
Capital outlay		
Other specific purposes		
Income surtax		
Statewide sales and services tax		
Revenue in lieu of tax		
Unrestricted state grants		
Unrestricted investment earnings		
Total general revenues		
Change in net position		
Net position, beginning of year		
Net position, end of year		

See Notes to Financial Statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Position			
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
$ 8,618,877	$ -	$ (32,959,704)	$ -	$ (32,959,704)	$ -
509,723	-	(1,123,893)	-	(1,123,893)	-
-	-	(1,095,563)	-	(1,095,563)	-
-	-	(7,388,213)	-	(7,388,213)	-
-	-	(6,741,682)	-	(6,741,682)	-
16,692	-	(2,063,819)	-	(2,063,819)	-
526,415	-	(18,413,170)	-	(18,413,170)	-
-	-	(71,289)	-	(71,289)	-
2,188,667	-	-	-	-	-
11,333,959	-	(51,444,163)	-	(51,444,163)	-
-	-	-	(159,950)	(159,950)	-
-	-	-	(159,950)	(159,950)	-
1,856,198	-	-	506,024	506,024	-
1,856,198	-	-	346,074	346,074	-
$ 13,190,157	$ -	(51,444,163)	346,074	(51,098,089)	-
$ 188,687	$ -	-	-	-	19,951
		16,382,742	-	16,382,742	-
		1,859,649	-	1,859,649	-
		1,257,231	-	1,257,231	-
		320,449	-	320,449	-
		5,005,378	-	5,005,378	-
		741,288	-	741,288	-
		27,659,942	-	27,659,942	-
		55,307	784	56,091	118,052
		53,281,986	784	53,282,770	118,052
		1,837,823	346,858	2,184,681	138,003
		39,689,256	(75,856)	39,613,400	2,371,524
		$ 41,527,079	$ 271,002	$ 41,798,081	$ 2,509,527

Muscatine Community School District

Balance Sheet
Governmental Funds
June 30, 2017

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	$ 19,277,776	$ 8,748,534	$ 1,438,505	$ 29,464,815
Receivables:				
Property tax:				
Current year	155,724	16,919	11,928	184,571
Succeeding year	15,589,150	2,224,845	1,309,999	19,123,994
Accounts	20,159	80,000	4,449	104,608
Income surtax	299,980	-	-	299,980
Due from other governments	960,944	661,992	84	1,623,020
Total assets	$ 36,303,733	$ 11,732,290	$ 2,764,965	$ 50,800,988
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	$ 1,096,862	$ 1,461,199	$ 21,897	$ 2,579,958
Salaries and benefits payable	5,695,640	-	1,086	5,696,726
Total liabilities	6,792,502	1,461,199	22,983	8,276,684
Deferred Inflows of Resources:				
Unavailable revenue:				
Succeeding year property tax	15,589,150	2,224,845	1,309,999	19,123,994
Income surtax	299,980	-	-	299,980
Statewide sales and services tax	-	250,283	-	250,283
Total deferred inflows of resources	15,889,130	2,475,128	1,309,999	19,674,257
Fund balances:				
Restricted for:				
Categorical funding	1,156,085	-	-	1,156,085
Management levy	-	-	968,826	968,826
Physical plant and equipment levy	-	1,034,046	-	1,034,046
School infrastructure	-	6,761,917	-	6,761,917
Student activity purposes	-	-	409,639	409,639
Instructional programs	-	-	53,518	53,518
Unassigned	12,466,016	-	-	12,466,016
Total fund balances	13,622,101	7,795,963	1,431,983	22,850,047
Total liabilities, deferred inflows of resources and fund balances	$ 36,303,733	$ 11,732,290	$ 2,764,965	$ 50,800,988

See Notes to Financial Statements.

Muscatine Community School District

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balances of governmental funds	$	22,850,047
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.		44,299,135
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.		550,263
Pension 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		7,957,951
Deferred inflows of resources		(749,108)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Early retirement		(2,000,920)
Net OPEB liability		(2,037,951)
Net pension liability		(29,342,338)
Net position of governmental activities	$	41,527,079

See Notes to Financial Statements.

Muscatine Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	$ 16,674,854	$ 1,859,649	$ 1,257,231	$ 19,791,734
Tuition	632,257	-	-	632,257
Other	640,724	113,862	488,141	1,242,727
State sources	37,355,541	5,024,989	48,571	42,429,101
Federal sources	2,261,820	-	-	2,261,820
Total revenues	57,565,196	6,998,500	1,793,943	66,357,639
Expenditures:				
Current:				
Instruction	38,648,036	11,763	1,229,718	39,889,517
Support services:				
Student services	1,598,705	-	6,657	1,605,362
Instructional staff services	1,033,614	20,147	-	1,053,761
Administration services	6,226,358	868,445	78,169	7,172,972
Operation and maintenance of plant services	4,696,000	152,064	323,950	5,172,014
Transportation services	1,414,809	450,251	100,950	1,966,010
	14,969,486	1,490,907	509,726	16,970,119
Noninstructional programs	7,644	-	72,413	80,057
Other expenditures:				
Facilities acquisition	-	3,666,962	-	3,666,962
AEA flowthrough	2,188,667	-	-	2,188,667
	2,188,667	3,666,962	-	5,855,629
Total expenditures	55,813,833	5,169,632	1,811,857	62,795,322
Excess of revenues over expenditures	1,751,363	1,828,868	(17,914)	3,562,317
Other financing sources:				
Proceeds from sale of capital assets	24,580	395,353	-	419,933
Total other financing sources	24,580	395,353	-	419,933
Net change in fund balance	1,775,943	2,224,221	(17,914)	3,982,250
Fund balances, beginning of year	11,846,158	5,571,742	1,449,897	18,867,797
Fund balances, end of year	$ 13,622,101	$ 7,795,963	$ 1,431,983	$ 22,850,047

See Notes to Financial Statements.

Muscatine Community School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities
Year Ended June 30, 2017

Net change in fund balances - total governmental funds		$ 3,982,250
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Expenditures for capital assets	$ 2,714,700	
Depreciation expense	(3,138,767)	
Proceeds from sale of capital assets	(419,933)	
Loss on disposal of capital asset	(559,731)	(1,403,731)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, change in unavailable revenues		77,984
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position		76,303
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement	238,710	
Pension expense	(381,617)	
Net OPEB liability	(752,076)	(894,983)
Change in net position of governmental activities		$ 1,837,823

See Notes to Financial Statements.

Muscatine Community School District

Statement of Net Position
Proprietary Funds
June 30, 2017

	Nonmajor Enterprise Fund School Nutrition
Assets	
Cash and cash equivalents	$ 925,708
Accounts receivable	34,410
Inventories	97,785
Capital assets, net of accumulated depreciation	159,578
Total assets	1,217,481
Deferred Outflows of Resources,	
pension related deferred outflows	244,788
Liabilities	
Accounts payable	6,351
Salaries and benefits payable	64,064
Unearned revenue	45,600
Net OPEB liability	107,123
Net pension liability	944,695
Total liabilities	1,167,833
Deferred Inflows of Resources,	
pension related deferred inflows	23,434
Net Position	
Net investment in capital assets	159,578
Unrestricted	111,424
Total net position	$ 271,002

See Notes to Financial Statements.

Muscatine Community School District

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2017

	Nonmajor Enterprise Fund School Nutrition
Operating revenues:	
Local sources, charges for services	$ 1,010,732
Operating expenses:	
Support services:	
Salaries	107,663
Benefits	41,036
Purchased services	9,277
Supplies	1,974
	159,950
Noninstructional programs:	
Salaries	814,814
Benefits	349,120
Purchased services	20,634
Supplies	1,149,245
Depreciation	25,544
Other	1,549
	2,360,906
Total operating expenses	2,520,856
Operating (loss)	(1,510,124)
Nonoperating revenues:	
Interest on investments	784
State sources	20,005
Federal sources	1,836,193
Total nonoperating revenues	1,856,982
Change in net position	346,858
Net position, beginning of year	(75,856)
Net position, end of year	$ 271,002

See Notes to Financial Statements.

Muscatine Community School District

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017

		Nonmajor Enterprise Fund School Nutrition
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	$	1,023,613
Cash payments to employees for services		(979,323)
Cash payments to suppliers for goods or services		(1,275,649)
Net cash (used in) operating activities		(1,231,359)
Cash flows from noncapital financing activities:		
State grants received		20,005
Federal grants received		1,604,614
Net cash provided by noncapital financing activities		1,624,619
Cash flows (used in) capital related financing activities, Acquisition of capital assets		(7,000)
Cash flows from investing activities, interest on investments		784
Net increase in cash and cash equivalents		387,044
Cash and cash equivalents, beginning of year		538,664
Cash and cash equivalents, end of year	$	925,708
Reconciliation of operating (loss) to net cash (used in) operating activities:		
Operating (loss)	$	(1,510,124)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation		25,544
Commodities used		231,579
Decrease in accounts receivable		11,550
(Increase) in inventories		(25,465)
(Decrease) in accounts payable		(2,758)
(Decrease) in salaries and benefits payable		(19,518)
Increase in net OPEB liability		42,290
Increase in net pension liability and related deferred outflows of resources and deferred inflows of resources		14,212
Increase in unearned revenue		1,331
Net cash (used in) operating activities	$	(1,231,359)
Schedule of noncash items:		
Noncapital financing activities, federal commodities	$	231,579

See Notes to Financial Statements.

Muscatine Community School District

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency
Assets		
Cash and pooled investments	$ 149,113	$ 2,035
Interest receivable	2,345	-
Total assets	$ 151,458	$ 2,035
Liabilities		
Due to other groups	$ -	$ 2,035
Total liabilities	$ -	$ 2,035
Net Position, restricted for scholarships	$ 151,458	

See Notes to Financial Statements.

Muscatine Community School District

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2017

	Private Purpose Trust
Additions:	
Net investment loss	$ (4,224)
Deductions:	
Instruction,	
scholarships awarded	$ 10,250
Net change in net position	(14,474)
Net Position, beginning of year	165,932
Net Position, end of year	$ 151,458

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

Muscatine Community School District (the District) is a political subdivision of the state of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Muscatine, Iowa and the predominately agricultural territory of Muscatine County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

Reporting entity:

For financial reporting purposes, Muscatine Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District.

The financial statements present Muscatine Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity due to the significance of its operational and financial relationship with the District.

Discretely presented component unit: Muscatine Community School Foundation is a legally separate not-for-profit foundation. The Foundation was established for the purpose of giving financial assistance to the Muscatine Community School District and for granting scholarships to its students who attend community colleges and universities. The Foundation is governed by a Board of Directors that is appointed and subject to approval by the District's Board of Education. Two directors of the Foundation's board are required to be held by the District's superintendent and high school principal. The Foundation has a December 31 year-end. Separate financial statements of the Foundation are available at the District's administrative offices.

Jointly governed organizations: The District participates in a jointly governed organization that provides 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 Muscatine County Assessor's Conference Board.

Basis of presentation:

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

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvements of those assets.

Note 1. Summary of Significant Accounting Policies (Continued)

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customer 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. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The other governmental funds of the District are considered nonmajor and are as follows:

Special Revenue Funds: Are used to account for the revenue sources that are legally restricted to expenditures for specific purposes:

The Management Fund accounts for tort liability insurance premiums, unemployment compensation insurance claims and early retirement incentive payments.

The Student Activity Fund accounts for money held by the District on behalf of the students who have raised these funds and are responsible for their disposition for co-curricular to extracurricular activities of the District.

The Support Trust Fund accounts for donations specifically restricted for instructional programs.

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

Note 1. Summary of Significant Accounting Policies (Continued)

The District also reported fiduciary funds. The District's fiduciary funds include the following:

The Private Purpose Trust Funds account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. These are funds for which the District accounts for revenue collected for faculty accounts and related expenditures, and for funds collected for other various special group accounts. The Agency Fund is custodial in nature, assets equal liabilities and does not involve measurement of results of operations.

Measurement focus and basis of accounting:

The government-wide financial statements and the 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 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 is 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.

Proprietary funds distinguished operating revenues and expenses from nonoperating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund equity:

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

Cash, pooled investments and cash equivalents: The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for nonnegotiable certificates of deposit, which are stated at cost.

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

The Foundation's investments are reported at fair value. Short-term investments are reported at cost which approximates fair value. Investments having a remaining maturity at the time of purchase of one year or less are measured at amortized cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Dividends on mutual funds are reinvested into the respective funds.

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 that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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. 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 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.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with 1½ percent per month penalty for delinquent payments; is based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2016.

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 governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital assets: Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Note 1. Summary of Significant Accounting Policies (Continued)

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	$ 1
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	200,000
Furniture and equipment:	
School Nutrition Fund equipment	250
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	2 - 20 years
Furniture and equipment	5 - 15 years

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

Unearned revenue: Proprietary funds defer revenue recognition in connection with resources that have been received but not earned. Unearned revenue in the governmental funds arises when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenue consists primarily of school registration fees and meal deposits collected for the programs and services in the next school year.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Interfund activity: Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

Nonspendable: Balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain 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 imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned: Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The authority to assign fund balances has been delegated to the Director of Finance.

Unassigned: All amounts not included in other spendable classifications as well as any deficit fund balance of any other governmental fund is reported as unassigned.

When an expenditure is incurred for purposes for which amounts in the committed, assigned, or unassigned fund balance classifications could be used, the District's policy is generally to first apply the expenditure to restricted fund balance and then to less restrictive classifications – committed, assigned and then unassigned fund balances.

Deferred outflows/inflows of resources: In addition to assets, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance or net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District's deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

In addition to liabilities, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources in the government-wide statements consist of succeeding year property tax revenue and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Note 1. Summary of Significant Accounting Policies (Continued)

The District reports unavailable revenue in the governmental funds balance sheet from the statewide sales and services tax, income surtax, and property tax. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Net position: In proprietary funds, fiduciary funds, and government-wide financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net position restricted by enabling legislation as of June 30, 2017 consists of $1,156,085 for categorical funding, $968,826 for management levy purposes, $1,034,046 for physical plant and equipment levy, $409,639 for student activities, $7,012,200 for school infrastructure, and $53,518 for instructional programs.

Net position flow assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgets and budgetary control:

As allowed by GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, the District presents budgetary comparison schedules as required supplementary information based on the program structure of four functional areas as required by state statute for its legally adopted budget. The budgetary comparison and related disclosures are reported as Required Supplementary Information.

The District exceeded the budget expenditures for the noninstructional programs function.

Note 2. Cash and Pooled Investments

Authorized investments: 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.

Note 2. Cash and Pooled Investments (Continued)

Interest rate risk: The District's investment policy limits the investment of operating funds in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk: The District did not have investments subject to credit risk as of June 30, 2017.

Custodial credit risk: The District's cash and pooled investments consisted of depository accounts at financial institutions including certificate of deposits and U.S. Treasury bonds. The District's deposits in banks as of June 30, 2017 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 insure there will be no loss of public funds.

Fair value measurements: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets or identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2017, the District has U.S. Treasury Bonds of $83,769 with fair value measurement Level 1 inputs.

Foundation cash and investments:

The Foundation's cash and investments as of December 31, 2016 consists of the following:

Depository accounts	$ 368,246
Cash equivalents within investment accounts	56
Certificates of deposit	121,693
Mutual funds	2,033,275
	$ 2,523,270

Interest rate risk: The Foundation's formal investment policy does not limit the type of authorized investments. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. As of December 31, 2016, the Foundation had the following investments:

Investments measured at the net asset value	Fair Value	Uncommitted Funds
Open Mutual Fund,		
Edward Jones Corporate Account Advisory Solutions	$ 1,168,440	$ 56
Investment Pool,		
Community Foundation of Greater Muscatine	864,835	
Total Investments	$ 2,033,275	

Note 2. Cash and Pooled Investments (Continued)

The Edward Jones Corporate Account Advisory Solutions is an investment in twenty-four mutual funds that invest in fixed-income securities guaranteed or issued by the U.S. Government or its agencies, U.S. corporate issuers, asset-backed securities, mortgage-related and mortgage-backed securities as well as U.S. common stocks. For both the Edward Jones Corporate Account Advisory Solutions Mutual Fund and the Community Foundation of Greater Muscatine Investment Pool, the fair value of the account is each share held and the value of the position is the stated price of the mutual fund using quoted market prices (level 1 inputs) multiplied by the number of shares held.

Credit risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of December 31, 2016, the Foundation does not have investments subject to credit risk. The Foundation's investment policy does not specify the types of investments the Foundation is authorized to invest in and there is no formal policy for credit risk.

The investment in the Community Foundation of Greater Muscatine investment pool is in the Community Foundation of Greater Muscatine Charitable Funds which is a short-term investment portfolio of money market accounts, certificates of deposit, and mutual funds.

Concentration of credit risk: The Foundation's formal investment policy attempts to allow flexibility, equality of opportunity and maximum interest yield on the Foundation's investments. The Foundation's investments are not subject to concentration of credit risk.

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. As of December 31, 2016, the Foundation's carrying amount of deposits (cash, cash equivalents, and certificates of deposit) totaled $489,995 with the bank balance of $493,242. Of the bank balance, $341,815 was covered by federal depository insurance with the remaining $151,427 uninsured and uncollateralized. Investments in mutual funds and investment pools are not exposed to custodial credit risk.

On April 25, 2017, the Board approved a motion to divest the Foundation funds to the Community Foundation of Greater Muscatine as outlined in an agreement between the two entities pending attorney review.

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2017 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	$ 809,732	$ 7,000	$ 29,728	$ 787,004
Less accumulated depreciation	631,610	25,544	29,728	627,426
Business-type activities capital assets, net	$ 178,122	$ (18,544)	$ -	$ 159,578

Note 3. Capital Assets (Continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,510,734	$ -	$ 56,500	$ 1,454,234
Construction in progress	566,111	349,928	434,683	481,356
Total capital assets not being depreciated	2,076,845	349,928	491,183	1,935,590
Capital assets being depreciated:				
Buildings	73,643,078	1,024,807	3,639,403	71,028,482
Improvements other than buildings	2,905,297	1,108,136	9,900	4,003,533
Furniture and equipment	7,480,069	666,512	688,067	7,458,514
Total capital assets being depreciated	84,028,444	2,799,455	4,337,370	82,490,529
Less accumulated depreciation for:				
Buildings	33,269,083	2,610,178	2,975,119	32,904,142
Improvements other than buildings	1,388,056	149,905	6,545	1,531,416
Furniture and equipment	5,745,284	378,684	432,542	5,691,426
Total accumulated depreciation	40,402,423	3,138,767	3,414,206	40,126,984
Total capital assets being depreciated, net	43,626,021	(339,312)	923,164	42,363,545
Governmental activities capital assets, net	$ 45,702,866	$ 10,616	$ 1,414,347	$ 44,299,135

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction	$ 2,852,276
Support services:	
Student services	22,049
Instructional staff services	38,498
Administration	14,290
Operation and maintenance of plant services	51,954
Transportation services	157,201
Noninstructional programs	2,499
Total governmental activities depreciation expense	$ 3,138,767
Business-type activities, food service operations	$ 25,544

Note 4. Early Retirement

The District offered a voluntary early retirement plan in the current year to its certified employees. Eligible employees must be at least age 55 and employees must have completed 20 years of service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement incentive for each eligible employee is equal to $10,000 per year for five years.

As of June 30, 2017, the District had obligations to 153 participants with a total liability of $2,000,920. Actual early retirement expenditures for the year ended June 30, 2017 totaled $816,670. Early retirement obligations are generally liquidated by the Management Fund or the General Fund.

Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements. A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	$ 2,239,630	$ 577,960	$ 816,670	$ 2,000,920	$ 311,335

Note 5. Other Postemployment Benefits (OPEB)

Plan description: The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 759 active and 50 retired members in the plan. Participants must be age 55 or older at retirement with 15 or more years of service with the District.

The medical/prescription drug coverage is provided through a fully insured plan with United Healthcare of the River Valley. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding policy: The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB cost and net OPEB obligation: The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Note 5. Other Postemployment Benefits (OPEB) (Continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	$	1,336,660
Interest on net OPEB obligation		54,028
Adjustment to annual required contribution		(75,107)
Annual OPEB cost		1,315,581
Contributions made		521,215
Increase in net OPEB obligation		794,366
Net OPEB obligation beginning of year		1,350,708
Net OPEB obligation end of year	$	2,145,074

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2017 and the two preceding years are summarized as follows:

Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
June 30, 2015	$	835,095	60.4%	$	995,434
June 30, 2016		849,958	58.2%		1,350,708
June 30, 2017		1,315,581	39.6%		2,145,074

Funded status and funding progress: As of July 1, 2016, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was $9,680,272, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $9,680,272. The covered payroll (annual payroll of active employees covered by the plan) was approximately $31,689,758 and the ratio of the UAAL to covered payroll was 30.55 percent. As of June 30, 2017, there were no trust fund assets.

Actuarial methods and assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 5. Other Postemployment Benefits (OPEB) (Continued)

As of the July 1, 2016 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 8 percent with annual decreases of 0.33 percent to 5.00 percent with an inflation rate of 0 percent.

Mortality rates are from the RP-2014 Combined Annuitant Mortality Table for males and females. The UAAL is being amortized as a level dollar amount for an open period over 30 years.

Note 6. Pension and Retirement Benefits

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 Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive 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 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before 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.

Note 6. Pension and Retirement Benefits (Continued)

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

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the District contributed 8.93 percent of covered payroll, for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2017 were $3,158,030.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the District reported a liability of $30,287,033 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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 the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2016, the District's proportion was 0.481257 percent, which was a decrease of 0.01374 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $3,477,556.

At June 30, 2017, 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	$ 267,678	$ 361,463
Changes of assumptions	462,086	-
Net difference between projected and actual earnings on pension plan investments	4,314,945	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	411,079
District contributions subsequent to the measurement date	3,158,030	-
Total	$ 8,202,739	$ 772,542

$3,158,030 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 ended June 30, 2018.

Note 6. Pension and Retirement Benefits (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	$ 468,990
2019	468,990
2020	2,185,221
2021	1,196,914
2022	(47,948)
Total	$ 4,272,167

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Salary Increases (effective June 30, 2010)	4.00 percent to 17.00 percent average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00 percent per annum, based on 3.00 percent inflation and 1.00 percent real wage inflation

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above. Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan 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.

Note 6. Pension and Retirement Benefits (Continued)

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
Core-plus fixed income	28%	1.90%
Domestic equity	24%	5.85%
International equity	16%	6.32%
Private equity/debt	11%	10.31%
Real estate	8%	3.87%
Credit opportunities	5%	4.48%
U.S. TIPS	5%	1.36%
Other real assets	2%	6.42%
Cash	1%	-0.26%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. 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, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan 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 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	$ 49,000,320	$ 30,287,033	$ 14,492,773

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

Payables to the Pension Plan – At June 30, 2017, the District reported payables to the defined benefit pension plan of $371,687 for legally required employer contributions and $248,000 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. Risk Management

Muscatine Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8. 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 $2,188,667 for the year ended June 30, 2017 and is recorded in the General Fund.

Note 9. Categorical Funding

The District's fund balance restricted for categorical funding as of June 30, 2017 is comprised of the following programs:

Program	Amount
Home school assistance program	$ 66,815
Talented and gifted	289,835
Dropout prevention	166,852
Four-year-old preschool	27,583
Teacher salary supplement	9,596
Successful progression for early readers	68,379
Teacher leadership and compensation system	479,143
Professional development	47,882
Total	$ 1,156,085

Note 10. Commitments

The District has entered into various contracts totaling $273,150 for the Physical Education Building, middle school office remodel, and the high school science space. As of June 30, 2017, costs of $64,205 had been incurred against the contracts. The balance of $208,945 remaining as of June 30, 2017 will be paid as work on the projects progress.

The Foundation has awarded scholarships as of December 31, 2016 of $448,023 that have not yet been claimed. These unclaimed scholarships constitute a commitment.

Note 11. 28E Agreement

The District participates in a Chapter 28E agreement with Muscatine Agricultural Learning Center, the Friends of the Muscatine FFA and Eastern Iowa Community College. The agreement is to remain in effect for a minimum period of ten years. In the event the Muscatine Agricultural Learning Center is dissolved, there is a plan to split the remaining balance and assets owned between the three partners in the agreement.

Note 11. 28E Agreement (Continued)

In accordance with the agreement, the Muscatine Agricultural Learning Center is to own and operate the facility to provide educational opportunities for students of Eastern Iowa Community College and the Muscatine Community School District. The Friends of the Muscatine FFA obtained financial support for the construction of the facility and have shared advisory and governance responsibilities with the other members of the agreement. Eastern Iowa Community College and the Muscatine Community School District provided funds for the construction of the facility as well as be a program and tenant partner of the learning center.

Note 12. Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are 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. Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2017 under tax abatement agreements of other entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Muscatine, Iowa	Urban renewal and economic development projects	$ 399,691

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, 2017, this reimbursement amounted to $171,992.

Note 13. Governmental Accounting Standards Board (GASB)

The District adopted the following statements during the year ended June 30, 2017:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*: This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures.*

GASB Statement No. 77, *Tax Abatement Disclosures*: This Statement is intended to provide additional information about tax abatements to the public to further the ability to assess how tax abatements affect the District's financial position and results of operations, including the District's ability to raise revenue sources in the futures. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

Note 13. Governmental Accounting Standards Board (GASB) (Continued)

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*: The objective of this Statement is to address the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions* to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provided defined benefit pensions to both employees of state and local governments and to employees who are not state or local governmental employees, and (3) has no predominate stator or local government employer.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14:* This Statement amends the blending requirements for the for the financial statement presentation of component units of state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

The implementation of the above statements did not have a material impact to the District's financial statements.

As of June 30, 2017, GASB had issued several statements not yet required to be implemented by the District. The Statements which might impact the District are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* issued June 2015, will be effective for the District beginning with its year ending June 30, 2018. This Statement replaces the requirements of *Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and *No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* issued March 2016, will be effective for the District beginning with its year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No.73,* issued March 2016, will be effective for the District beginning with its year ending June 30, 2018. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Note 13. Governmental Accounting Standards Board (GASB) (Continued)

GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016, will be effective for the District beginning with its fiscal year ending June 30, 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will be effective for the District beginning with its fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the identification criteria established by the Statement is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported as a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

GASB Statement No. 85, *Omnibus 2017*, issued March 2017, will be effective for the District beginning with its fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017, will be effective for the District beginning with its fiscal year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for in substance defeasance by providing guidance in transactions in which cash and other monetary assets acquired with only existing resources, resources other than those from proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also provides guidance on prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the District beginning with its fiscal year ending June 30, 2021. This Statement requires 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 a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The District’s management has determined the implementation of GASB Statement No. 75 will have a significant impact on the District’s financial statements. The effect the other GASB Statements will have on the District’s financial statements has not yet been determined.

Muscatine Community School District

Required Supplementary Information
Schedule of Funding Progress for the Retiree Health Plan
Year Ended June 30, 2017

Year Ended June 30:	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2013	7/1/2012	$ -	$ 17,409	$ 17,409	0.00%	26,573	65.51%
2014	7/1/2012	-	17,409	17,409	0.00%	22,079	78.85%
2015	7/1/2014	-	9,033	9,033	0.00%	30,253	29.86%
2016	7/1/2014	-	9,033	9,033	0.00%	34,537	26.15%
2017	7/1/2016	-	9,680	9,680	0.00%	31,690	30.55%

See Note 5 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

Note: Amounts reported in thousands.

Muscatine Community School District

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Enterprise Fund
Required Supplementary Information
Year Ended June 30, 2017

	Governmental Funds - Actual	Enterprise Fund - Actual
Revenues:		
Local sources	$ 21,666,718	$ 1,011,516
State sources	42,429,101	20,005
Federal sources	2,261,820	1,836,193
Total revenues	66,357,639	2,867,714
Expenditures/expenses:		
Instruction	39,889,517	-
Support services	16,970,119	159,950
Noninstructional programs	80,057	2,360,906
Other expenditures	5,855,629	-
Total expenditures/expenses	62,795,322	2,520,856
Excess (deficiency) of revenues over (under) expenditures/expenses	3,562,317	346,858
Other financing sources (uses):		
Proceeds from sale of capital assets	419,933	-
Total other financing sources (uses)	419,933	-
Net change in fund balance	3,982,250	346,858
Fund Balance, beginning of year	18,867,797	(75,856)
Fund Balance, end of year	$ 22,850,047	$ 271,002

See Notes to Required Supplementary Information.

Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
$ 22,678,234	$ 22,889,291	$ 22,889,291	$ (211,057)
42,449,106	42,060,836	42,060,836	388,270
4,098,013	3,899,051	3,899,051	198,962
69,225,353	68,849,178	68,849,178	376,175
39,889,517	40,367,121	40,367,121	477,604
17,130,069	17,166,333	17,166,333	36,264
2,440,963	2,383,709	2,383,709	(57,254)
5,855,629	7,218,926	7,218,926	1,363,297
65,316,178	67,136,089	67,136,089	1,819,911
3,909,175	1,713,089	1,713,089	2,196,086
419,933	130,000	130,000	289,933
419,933	130,000	130,000	289,933
4,329,108	1,843,089	1,843,089	2,486,019
18,791,941	18,791,941	18,791,941	-
$ 23,121,049	$ 20,635,030	$ 20,635,030	$ 2,486,019

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Muscatine Community School District

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Three Fiscal Years

	2017*	2016*	2015*
District's proportion of the net pension liability	0.481257%	0.494997%	0.503636%
District's proportionate share of the net pension liability	$ 30,287,033	$ 24,455,266	$ 19,973,711
District's covered-employee payroll	$ 34,536,797	$ 33,911,814	$ 32,956,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.69%	72.11%	60.61%
Plan fiduciary net pension as a percentage of the total pension liability	81.82%	85.19%	87.61%

*The amounts presented for each fiscal year
were determined as of the prior fiscal-year end.

See Notes to Required Supplementary Information.

Muscatine Community School District

Required Supplementary Information
Schedule of District Contributions (in Thousands)
Iowa Public Employees' Retirement System
Last Ten Fiscal Years

	2017	2016	2015	2014
Statutorily required contribution	$ 3,158	$ 3,084	$ 3,028	$ 2,943
Contributions in relation to the statutorily required contribution	$ (3,158)	$ (3,084)	$ (3,028)	$ (2,943)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 35,364	$ 34,537	$ 33,912	$ 32,956
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%

See Notes to Required Supplementary Information.

	2013	2012	2011	2010	2009	2008
	$ 2,784	$ 2,602	$ 2,081	$ 2,088	$ 1,954	$ 1,731
	$ (2,784)	$ (2,602)	$ (2,081)	$ (2,088)	$ (1,954)	$ (1,731)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 32,111	$ 32,243	$ 29,942	$ 31,398	$ 30,772	$ 28,612
	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

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Note 1. Budgets and Budgetary Accounting

This budgetary comparison is presented as required supplementary information in accordance with Government 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 private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

The District exceeded the budgeted expenditures of the noninstructional programs function.

Note 2. Iowa Public Employees' Retirement System Pension Liability

Changes of benefit terms: Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailors, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Muscatine Community School District

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			
	Management Levy	Student Activity	Support Trust	Total
Assets				
Cash and pooled investments	$ 960,771	$ 424,216	$ 53,518	$ 1,438,505
Receivables:				
Property tax:				
Current year	11,928	-	-	11,928
Succeeding year	1,309,999	-	-	1,309,999
Accounts	-	4,449	-	4,449
Due from other governments	84	-	-	84
Total assets	$ 2,282,782	$ 428,665	$ 53,518	$ 2,764,965
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	$ 3,957	$ 17,940	$ -	$ 21,897
Salaries and benefits payable	-	1,086	-	1,086
Total liabilities	3,957	19,026	-	22,983
Deferred inflows of resources, Unavailable revenue-succeeding year property tax	1,309,999	-	-	1,309,999
Fund balance:				
Restricted	968,826	409,639	53,518	1,431,983
Total fund balances	968,826	409,639	53,518	1,431,983
Total liabilities, deferred inflows of resources and fund balances	$ 2,282,782	$ 428,665	$ 53,518	$ 2,764,965

Muscatine Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue			
	Management Levy	Student Activity	Support Trust	Total
Revenues:				
Local sources:				
Local tax	$ 1,257,231	$ -	$ -	$ 1,257,231
Other	29,182	458,936	23	488,141
State sources	48,571	-	-	48,571
Total revenues	1,334,984	458,936	23	1,793,943
Expenditures:				
Current:				
Instruction	777,554	452,164	-	1,229,718
Support services:				
Student services	6,657	-	-	6,657
Administration services	78,169	-	-	78,169
Operation and maintenance of plant services	318,966	4,984	-	323,950
Transportation services	100,231	719	-	100,950
Noninstructional programs	72,413	-	-	72,413
Total expenditures	1,353,990	457,867	-	1,811,857
Net change in fund balances	(19,006)	1,069	23	(17,914)
Fund balances, beginning of year	987,832	408,570	53,495	1,449,897
Fund balances, end of year	$ 968,826	$ 409,639	$ 53,518	$ 1,431,983

Muscatine Community School District

Schedule of Combining Balance Sheet
Capital Project Fund - By Account
June 30, 2017

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	$ 7,270,325	$ 1,478,209	$ 8,748,534
Receivables:			
Property tax:			
Current year	-	16,919	16,919
Succeeding year	-	2,224,845	2,224,845
Accounts	80,000	-	80,000
Due from other governments	661,873	119	661,992
Total assets	$ 8,012,198	$ 3,720,092	$ 11,732,290
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable	999,998	461,201	1,461,199
Total liabilities	999,998	461,201	1,461,199
Deferred Inflows of Resources:			
Unavailable revenue-succeeding year property tax	-	2,224,845	2,224,845
Unavailable revenue-statewide sales and services tax	250,283	-	250,283
Total deferred inflows of resources	250,283	2,224,845	2,475,128
Fund Balances:			
Restricted for:			
Physical plant and equipment	-	1,034,046	1,034,046
School infrastructure	6,761,917	-	6,761,917
Total fund balances	6,761,917	1,034,046	7,795,963
Total liabilities and fund balances	$ 8,012,198	$ 3,720,092	$ 11,732,290

Muscatine Community School District

Schedule of Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Project Fund - By Account
Year Ended June 30, 2017

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	$ -	$ 1,859,649	$ 1,859,649
Other	88,169	25,693	113,862
State sources	4,955,732	69,257	5,024,989
Total revenues	5,043,901	1,954,599	6,998,500
Expenditures:			
Current:			
Instruction		11,763	11,763
Support services:			
Instructional staff services	-	20,147	20,147
Administration services	-	868,445	868,445
Operation and maintenance of plant services	26,424	125,640	152,064
Transportation services	-	450,251	450,251
Capital outlay, facilities acquisition	2,112,438	1,554,524	3,666,962
Total expenditures	2,138,862	3,030,770	5,169,632
Excess (deficiency) of revenues over (under) expenditures	2,905,039	(1,076,171)	1,828,868
Other financing sources:			
Proceeds from sale of property		395,353	395,353
Total other financing sources	-	395,353	395,353
Net change in fund balance	2,905,039	(680,818)	2,224,221
Fund balance, beginning of year	3,856,878	1,714,864	5,571,742
Fund balance, end of year	$ 6,761,917	$ 1,034,046	$ 7,795,963

Muscatine Community School District

Schedule of Combining Statement of Fiduciary Net Position
Private Purpose Trust Fund - By Account
June 30, 2017

	Private Purpose Trust Accounts			
	Bernadette and Paul Rohling Scholarship	Illeen Rohling Scholarship	Jefferson Culture Fair Scholarship	Total
Assets:				
Cash and investments	$ 106,889	$ 40,923	$ 1,301	$ 149,113
Interest receivable	2,345	-	-	2,345
Total assets	$ 109,234	$ 40,923	$ 1,301	$ 151,458
Net Position				
Restricted for scholarships	$ 109,234	$ 40,923	$ 1,301	$ 151,458

Muscatine Community School District

Schedule of Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund - By Account
Year Ended June 30, 2017

	Private Purpose Trust Accounts			
	Bernadette and Paul Rohling Scholarship	Illeen Rohling Scholarship	Jefferson Culture Fair Scholarship	Total
Additions:				
Local sources, other:				
Net investment income (loss)	$ (4,307)	$ 83	$ -	$ (4,224)
Total additions	(4,307)	83	-	(4,224)
Deductions, current,				
Instruction,				
scholarships awarded	7,000	3,000	250	10,250
Net change in net position	(11,307)	(2,917)	(250)	(14,474)
Net Position, beginning of year	120,541	43,840	1,551	165,932
Net Position, end of year	$ 109,234	$ 40,923	$ 1,301	$ 151,458

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Muscatine Community School District

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund
Year Ended June 30, 2017

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	$ 231,775	$ 1,072,095	$ 1,301,835	$ 2,035
Liabilities				
Due to other groups	$ 231,775	$ 1,072,095	$ 1,301,835	$ 2,035

Muscatine Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds - Modified Accrual Basis
Last Ten Years

	Years Ended June 30:			
	2017	2016	2015	2014
Revenues:				
Local sources:				
Local tax	$ 19,791,734	$ 19,494,605	$ 18,628,986	$ 18,320,746
Tuition	632,257	453,670	530,347	583,016
Other	1,242,727	1,237,625	1,317,747	1,412,458
State sources	42,429,101	42,794,193	42,383,472	38,595,124
Federal sources	2,261,820	2,040,564	2,430,675	2,441,180
Total revenues	$ 66,357,639	$ 66,020,657	$ 65,291,227	$ 61,352,524
Expenditures:				
Instruction	$ 39,889,517	$ 39,758,470	$ 37,509,233	$ 36,426,501
Support services:				
Student services	1,605,362	1,551,908	1,642,590	1,641,603
Instructional staff services	1,053,761	1,065,752	1,523,383	1,378,893
Administration services	7,172,972	6,339,083	6,456,225	6,340,544
Operation and maintenance of plant services	5,172,014	4,889,562	4,928,889	5,355,512
Transportation services	1,966,010	1,765,709	1,912,098	1,841,780
Noninstructional programs	80,057	74,045	62,880	181,691
Other expenditures:				
Facilities acquisition	3,666,962	2,208,369	9,609,011	5,030,721
Long-term debt:				
Principal	-	-	607,138	596,507
Interest and fiscal charges	-	-	10,829	21,460
AEA flowthrough	2,188,667	2,227,592	2,207,805	2,100,120
Total expenditures	$ 62,795,322	$ 59,880,490	$ 66,470,081	$ 60,915,332

Years Ended June 30:					
2013	2012	2011	2010	2009	2008
$ 22,530,785	$ 20,665,245	$ 19,333,468	$ 18,712,914	$ 18,488,404	$ 17,842,274
621,193	789,295	678,551	646,617	634,578	656,615
1,486,224	1,627,100	2,116,315	1,567,942	1,961,396	2,386,934
32,010,126	32,853,112	31,615,441	27,787,891	30,363,984	29,280,415
2,120,614	3,043,064	2,973,055	4,673,746	2,099,916	1,737,646
$ 58,768,942	$ 58,977,816	$ 56,716,830	$ 53,389,110	$ 53,548,278	$ 51,903,884
$ 36,254,296	$ 35,679,780	$ 34,300,836	$ 34,695,516	$ 35,249,068	$ 32,721,204
1,646,917	1,543,182	1,413,771	1,482,432	1,459,094	1,407,202
1,281,373	3,366,854	1,406,839	1,061,588	1,092,250	1,138,973
6,119,304	7,537,234	6,507,777	5,724,703	5,436,431	5,032,575
5,010,283	4,869,282	4,492,882	4,185,506	4,244,947	4,424,856
1,750,580	1,685,575	1,454,728	1,467,975	1,636,008	1,695,177
11,404	14,007	20,834	43,334	26,418	41,495
7,081,218	3,690,720	1,724,782	3,153,296	5,385,365	3,772,776
610,484	-	-	-	-	-
31,900	-	-	-	-	-
2,010,185	1,998,046	2,205,295	2,178,281	1,949,818	1,851,969
$ 61,807,944	$ 60,384,680	$ 53,527,744	$ 53,992,631	$ 56,479,399	$ 52,086,227

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Muscatine Community School District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Indirect:				
U.S. Department of Agriculture:				
Iowa Department of Education:				
Child Nutrition Cluster Programs:				
School Breakfast Program	10.553	FY17 4552	$ -	$ 295,423
National School Lunch Program	10.555	FY17 4553	-	1,249,013
Commodities -DOD (Noncash)	10.555	FY17	-	93,312
Commodities (Noncash)	10.555	FY17	-	138,267
Special Milk Program for Children	10.556	FY17 4555	-	269
Child Nutriton Cluster Program Total			-	1,776,284
Fresh Fruit and Vegetable Program	10.582	FY17 4557	-	59,909
Total U.S. Department of Agriculture			-	1,836,193
U.S. Department of Education:				
Iowa Department of Education:				
Title I Grants to Local Educational Agencies	84.010	FY17 4501	-	1,207,828
Career and Technical Education- Basic Grants to States	84.048	FY17 4531	-	56,489
Advanced Placement Program	84.330	FY17 4654	-	2,242
Supporting Effective Instruction State Grants	84.367	FY17 4643	-	201,221
Grants for State Assessments and Related Activities	84.369	FY17 4648	-	9,982
Mississippi Bend Area Education Agency:				
Special Education - Grants to States (IDEA, Part B)	84.027	FY17 4521	-	254,670
English Language Acquisition State Grants	84.365	FY17 4644	-	19,665
Total U.S. Department of Education			-	1,752,097
Total Expenditures of Federal Awards			$ -	$ 3,588,290

See notes to schedule of expenditures of federal awards.

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Muscatine Community School District

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of Muscatine Community School District under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2. Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the modified accrual or accrual basis of accounting based on the fund type of the program. 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 3. Indirect Cost Rate

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Muscatine Community School District

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

	Findings	Status	Corrective Action Plan or Other Explanation
Other Findings Related to Required Statutory Reporting:			
IV-G-16	Variances in certified enrollment for October 2015 were noted.	Corrected.	
IV-H-16	Variances in supplementary weighting for October 2015 were noted.	Not corrected.	See IV-H-17
IV-I-16	The District has an investment that is not allowable.	Not corrected.	See IV-I-17

Bohnsack & Frommelt LLP
Certified Public Accountants

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
Muscatine Community School District
Muscatine, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Muscatine Community School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2017-001 and 2017-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2017 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.

District's Response to Findings

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

Purpose of this Report

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

Bohnsack & Frommelt LLP

Moline, Illinois
January 26, 2018

Bohnsack & Frommelt LLP
Certified Public Accountants

Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Education
Muscatine Community School District
Muscatine, Iowa

Report on Compliance for Each Major Federal Program

We have audited Muscatine Community School District's (the District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The 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 the 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 auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether 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 the 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 on the District's compliance.

Opinion on Each Major Federal Program
In our opinion, the 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, 2017.

Report on Internal Control Over Compliance

Management of the 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 the 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 the 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 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 identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-003 and 2017-004, that we consider to be significant deficiencies.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Bohnsack & Frommelt LLP

Moline, Illinois
January 26, 2018

Muscatine Community School District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	☐ Yes	☑ No
• Significant deficiency identified?	☑ Yes	☐ None Reported
• Noncompliance material to financial statements noted?	☐ Yes	☑ No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	☐ Yes	☑ No
• Significant deficiency identified?	☑ Yes	☐ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

• Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☑ Yes	☐ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title 1 Grants to Local Education Agencies

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee?	☑ Yes	☐ No

(Continued)

Part II: Findings Related to the Basic Financial Statements

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

2017-001
Finding: The Foundation has insufficient segregation of duties over the cash receipt transaction cycle.

Condition: The same individual receives all cash and checks, posts the revenue to the excel ledgers, prepares and takes the deposits to the bank, reconciles the bank statements and reports to the board.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Cause: A limited number of personnel are involved in the cash receipt function. When the District Accountant position experienced turnover during the fiscal year, processes previously in place were not effectively transitioned.

Identification as a repeat finding: This is not a repeat finding.

Recommendation: Access to cash and checks should be segregated from the position responsible for posting and reconciliation activities. We recommend the Foundation require receipts to be collected and deposited by someone other than the District's Accountant. The validated bank deposit slip and receipt remittances should be provided to the District's Accountant to post revenue activity and reconcile bank statements.

Response and Corrective Action Plan: The Foundation is in the process of implementing changes to realign duties where possible to improve internal controls.

2017-002
Finding: The Foundation has insufficient reconciling and monitoring activities over financial transactions.

Condition: This significant deficiency is the result of the following:

- One of the key control points of the Foundation's internal control processes was the detailed review of Foundation financial transactions and bank statements by the Board on a quarterly basis. The Foundation's Board did not meet to review and approve Foundation transactions since May 19, 2016. As a result, financial statement transactions since March 31, 2016 have not been reviewed and approved.
- The original trial balance provided for audit was not properly reconciled. Errors in formulas and in outstanding reconciling items for the checking account were identified.
- The investment in the Community Foundation had not been properly reconciled. As a result, an adjustment of approximately $34,000 was required.
- One individual is responsible for all financial reporting aspects of the Foundation including collecting receipts, preparing disbursements, posting all financial transaction activity, reconciling financial activity, and preparing all financial reports.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Cause: A limited number of personnel are involved in the accounting functions of the Foundation. When the District Accountant position experienced turnover during the fiscal year, processes previously in place were not effectively transitioned.

Identification as a repeat finding: This is not a repeat finding.

Recommendation: We recommend the Foundation implement procedures to ensure financial transactions are properly recorded and reconciled. We recommend the Foundation consider having financial transactions and bank statements provided to Board members to review on a timely basis even if a meeting is not formally scheduled. We recommend the Foundation investigate accounting software to reconcile all Foundation cash and investment accounts and to maintain check registers and receipt reports.

Response and Corrective Action Plan: The Foundation is in the process of implementing changes to realign duties where possible to improve internal controls.

Part III: Findings and Questioned Costs for Federal Awards

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

2017-003

U.S. Department of Education
Pass-Through Iowa Department of Education
Title 1 Grants to Local Education (CFDA 84.010)
Federal Award Year: 2017

Finding: The District has an inadequate internal control process for the documentation of allowable costs of the Title 1 program.

Criteria: Title 2 of the Code of Federal Regulations, Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards* in Section 200.302 Financial Management and Section 200.303 Internal Controls provides the requirements for non-federal entity transactions and includes, “establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.” The District’s control processes include expenditures of all entity transactions to be approved by an administrator through a budget request form or by a documented approval of the invoice.

Condition: Administrator approval of non-payroll expenditures charged to the program was not available or not maintained.

Questioned costs: None

Context: In a sample of twenty-five expenditures selected for testing, six transactions did not have adequate documentation of being reviewed and approved as an allowable cost to the program by an administrator.

Effect: Proper approvals of the federal program expenditures are not being documented to ensure the cost is allowable to the program. Expenditures may be charged to the program that do not comply with the program requirements.

Cause: The District has had turnover in the program administrator position. In addition, the District moved the location of the business office records during the year.

Identification as a repeat finding: This is not a repeat finding.

Recommendation: We recommend the District require that all program expenditures be documented as allowable by the program administrator prior to payment. We recommend the District review current practices for maintaining supporting documentation of program transactions and determine whether changes in documentation maintenance are needed.

Response and corrective action plan: The District will review current processes for expenditure approvals and for maintaining supporting documentation of program transactions and implement changes to ensure compliance.

2017-004

U.S. Department of Education
Pass-Through Iowa Department of Education
Title 1 Grants to Local Education (CFDA 84.010)
Federal Award Year: 2017

Finding: The District has an inadequate internal control process to ensure compliance with the eligibility requirements of the program.

Criteria: The Office of Management and Budget states the local education agency, “must allocate Part A funds to each participating school attendance area or school, in rank order, on the basis of the total number of children from low-income families residing in the area or attending the school.”

Condition: The District uses the state provided worksheet to determine funding by school as part of the annual program reporting process; however, the District does not budget or allocate actual funding of the program by the worksheet. Actual allocations of Part A funds to the schoolwide programs were not in rank order to the total number of children from low-income families attending the school.

Questioned costs: None

Context: The District has five schoolwide programs and one private school program served.

Effect: Funding by schoolwide program is not in rank order as required by the program.

Cause: The District does not have a process that incorporates the program worksheets into the District budget allocations.

Identification as a repeat finding: This is not a repeat finding.

Recommendation: We recommend the Title 1 Director and the Chief Financial Officer determine rank order funding each year as part of the budget process and monitor actual funding by building throughout the year.

Response and corrective action plan: The District will implement the eligibility requirements of the program to include funding programs in rank order.

Part IV: Other Findings Related to Statutory Reporting

IV-A-17
Certified Budget –

Finding: Expenditures for the year ended June 30, 2017 exceed the amounts budgeted for the noninstructional programs function.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

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

Conclusion: Response accepted.

IV-B-17
Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 except for the following:

Finding: Two District employees were reimbursed for expenses for a trip to Boston in June 13-17 2017. The trip documentation only stated "college visits". No trip documentation or public purpose of the travel expenditures was documented and no other documentation was provided to the District prior to approval such as a specific itinerary, the colleges that will be visited, the specific names and dates of meetings with college personnel, or the purpose of employees visiting colleges in Boston. In addition, there is no documentation maintained by the District on the outcomes or applicable actions taken as a result of the District incurring these expenditures.

Recommendation: Prior to any District travel, the District should require clear and specific documentation on the public purpose of the expenditures that will be incurred. The District should document public purpose of any travel expenditures. For travel expenditures not related to routine meeting or professional development activities, the District should require more documentation to substantiate the trip such as itineraries, reasons for the non-routine nature of the request, and outcomes.

Response and Corrective Action Plan: The District will require employees to provide documentation of trip expenditures including specific trip information to ensure public purpose is clearly addressed.

Conclusion: Response accepted.

(Continued)

IV-C-17
Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-17
Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-17
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 insure that the coverage is adequate for current operations.

IV-F-17
Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-17
Certified Enrollment-No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-17
Supplementary Weighting –

Finding: There were variances to the October 2016 supplementary weighting.

Recommendation: We recommend the District review and verify course information before the October 1st process.

Response and Corrective Action Plan: The District will review course codes prior to submission to ensure accuracy of the information certified to the Department of Education.

Conclusion: Response accepted.

IV-I-17
Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted other than the following:

Finding 1: The District owns stock in Sun Life Financial of Canada. This does not appear to be an allowable investment under the provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

Recommendation: We recommend the District continue with its efforts to comply with allowable investments.

Response and Corrective Action Plan: Immediately upon being made aware of the stock, the District has been attempting to sell the investment. The District will continue its efforts to sell the investment.

Conclusion: Response accepted.

(Continued)

Finding 2: On September 12, 2016, the Muscatine School Board of Education approved official depositories in the amount of $15,000,000. As of June 30, 2017, the deposits in First National Bank exceed $15,000,000.

Recommendation: We recommend, deposits be maintained within established limits or the Board formally approve an increased amount.

Response and Corrective Action Plan: The District will monitor depository limits to ending cash balances and increase established limits.

Conclusion: Response accepted.

IV-J-17
Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

IV-K-17
Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-17
Statewide Sales and Services Tax – No instances of noncompliance with the use of the statewide sales and services tax revenue provisions of 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 and services 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, 2017, the District reported the following information regarding the statewide sales and services tax revenue in the District's CAR:

Beginning balance	$	3,856,878
Revenue / transfers in:		
Statewide sales and services tax revenue		4,955,732
Interest and other		88,169
Expenditures/transfers out:		
Operation and maintenance of plant services		26,424
School infrastructure:		
Buildings		2,112,438
Ending balance	$	6,761,917

For the year ended June 30, 2017, the District reduced the tax levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa as follows:

		Per $1,000 of Taxable Valuation		Property Tax Dollars
Debt service levy	$	3.83000	$	4,955,732

Muscatine Community School District

Corrective Action Plan
Year Ended June 30, 2017

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Findings Related to the Basic Financial Statements:				
2017-001	The Foundation has insufficient segregation of duties over cash receipts.	See response and corrective action plan at 2017-001.	Fiscal Year 2018	Tom Anderson
2017-002	The Foundation has insufficient reconciling and monitoring activities over financial transactions.	See response and corrective action plan at 2017-002.	Fiscal Year 2018	Tom Anderson
Findings and Questioned Costs for Federal Awards:				
2017-003	The District has in inadequate internal control process for the documentation of allowable costs of the Title 1 program.	See response and corrective action plan at 2017-003.	Fiscal Year 2018	Tom Anderson
2017-004	The District has in inadequate internal control process to ensure compliance with the eligibility requirements of the program.	See response and corrective action plan at 2017-004.	Fiscal Year 2018	Tom Anderson
Other Findings Related to Required Statutory Reporting:				
IV-A-17	Expenditures for the year ended June 30, 2017 exceeded the amounts budgeted for the noninstructional programs function.	See response and corrective action plan at IV-A-17	Fiscal Year 2018	Tom Anderson
IV-B-17	The District has insufficient documentation of public purpose of travel expenditures incurred by two District employees.	See response and corrective action plan at IV-B-17	Fiscal Year 2018	Tom Anderson
IV-H-17	Variances in supplementary weighting for October 2016 were noted.	See response and corrective action plan at IV-H-17	Fiscal Year 2018	Tom Anderson
IV-I-17	Finding 1: The District has investment that is not allowable.	See response and corrective action plan at IV-I-17	Fiscal Year 2018	Tom Anderson
	Finding 2: On June 30, 2017, the balance in First National Bank exceeded the District's depository resolution.	See response and corrective action plan at IV-I-17	Fiscal Year 2018	Tom Anderson