

**Muscatine Community School District  
Muscatine, Iowa**

Financial and Compliance Report  
Year Ended June 30, 2020



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**Muscatine Community School District**

**Officials**

**Year Ended June 30, 2020**

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| <b>Name</b>               | <b>Title</b>   | <b>Term Expires</b> |
|---------------------------|----------------|---------------------|
| <b>Board of Education</b> |                |                     |
| Tammi Drawbaugh           | President      | 2021                |
| John DaBeet               | Vice President | 2023                |
| Karen Cooney              | Board Member   | 2023                |
| Aaron Finn                | Board Member   | 2021                |
| Toby McCarter             | Board Member   | 2021                |
| Mike Morgan               | Board Member   | 2023                |
| Denny Schuur              | Board Member   | 2023                |

|                         |                     |            |
|-------------------------|---------------------|------------|
| <b>School Officials</b> |                     |            |
| Jerry Riibe             | Superintendent      | 2020       |
| Tom Anderson            | Director of Finance | 2020       |
| Lisa Mosier Bunn        | District Secretary  | 2020       |
| Ahlers & Cooney, P.C.   | Attorney            | Indefinite |

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## 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, each major fund, and the aggregate remaining fund information of the Muscatine Community School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, each major fund, and the aggregate remaining fund information of the Muscatine Community School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with 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 changes in the District's total OPEB liability and related ratios, budgetary comparison information, schedule of proportionate share of the net pension liability, and schedule of contributions on pages 4–14 and 49-56 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, 2011 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, 2011 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, 2011 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 (ReportDate) 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

SIGNATURE

Moline, Illinois  
(ReportDate)

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## **Muscatine Community School District**

### **Management's Discussion and Analysis Year Ended June 30, 2020**

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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, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow:

#### **2019-20 FINANCIAL HIGHLIGHTS**

The District showed a decrease in net position of \$1,605,100 and a decrease of \$22,973 during the years ended June 30, 2020 and 2019, respectively.

Total revenues for the fiscal year ended June 30, 2020 and 2019 of \$68,420,542 and \$68,384,121 were comprised of general revenues in the amount of \$52,739,811 and \$52,497,108 and program revenues totaling \$15,680,731 and \$15,887,013, respectively.

As of June 30, 2020, the District's governmental funds reported combined fund balances of \$16,717,164 a decrease of \$8,836,294 in comparison to 2019. As of June 30, 2019, the District's governmental funds reported combined fund balances of \$25,553,458 a decrease of \$37,966 in comparison to 2018.

#### **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.

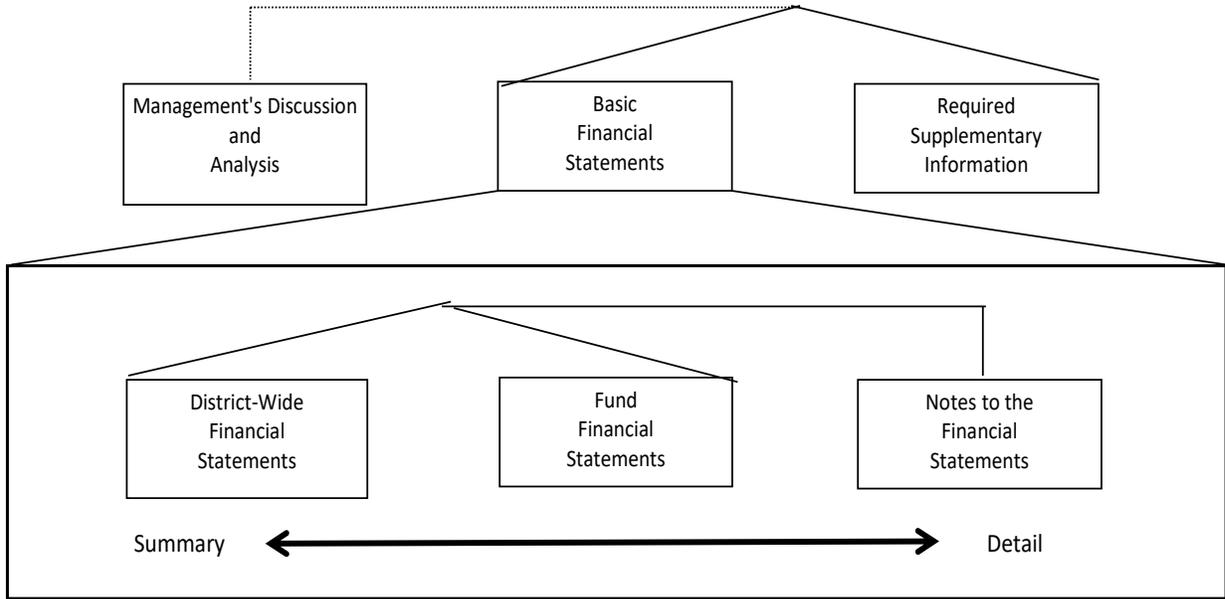
**Muscatine Community School District**

**Management's Discussion and Analysis  
Year Ended June 30, 2020**

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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



**Muscatine Community School District**

**Management’s Discussion and Analysis  
Year Ended June 30, 2020**

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

| <b>Figure A-2<br/>Major Features of the Government-Wide and Fund Financial Statements</b> |  |  |   |  |
|---|--|--|---|--|
| <b>Government-Wide Statements</b>   |  | <b>Fund Statements</b>   |   |  |
|   |  | <b>Governmental Funds</b>  | <b>Proprietary Funds</b>  | <b>Fiduciary Funds</b>   |
| 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<br><br>Statement of activities                               | Balance sheet<br><br>Statement of revenues, expenditures and changes in fund balances  | Statement of net position<br><br>Statement of revenues, expenses and changes in net position<br><br>Statement of cash flows | Statement of fiduciary net position<br><br>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  |

## Muscatine Community School District

### Management's Discussion and Analysis Year Ended June 30, 2020

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#### 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 two 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.

##### 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.

## Muscatine Community School District

### Management's Discussion and Analysis Year Ended June 30, 2020

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The District's major governmental funds for 2019-20 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). 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 funds: 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.

## Muscatine Community School District

### Management's Discussion and Analysis Year Ended June 30, 2020

#### Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net position as of June 30, 2020 compared to June 30, 2019.

**Figure A-3 Condensed Statement of Net Position**

|                                     | Governmental Activities |                      | Business-Type Activities |                    | Total School District |                      |
|-------------------------------------|-------------------------|----------------------|--------------------------|--------------------|-----------------------|----------------------|
|                                     | June 30, 2020           | June 30, 2019        | June 30, 2020            | June 30, 2019      | June 30, 2020         | June 30, 2019        |
| Current and other assets            | \$ 44,308,147           | \$ 52,212,379        | \$ 609,389               | \$ 1,146,364       | \$ 44,917,536         | \$ 53,358,743        |
| Capital assets                      | 56,499,125              | 45,857,273           | 430,951                  | 237,703            | 56,930,076            | 46,094,976           |
| <b>Total assets</b>                 | <b>100,807,272</b>      | <b>98,069,652</b>    | <b>1,040,340</b>         | <b>1,384,067</b>   | <b>101,847,612</b>    | <b>99,453,719</b>    |
| Deferred outflows<br>of resources   | 6,594,072               | 7,727,988            | 207,431                  | 238,047            | 6,801,503             | 7,966,035            |
| Long-term liabilities               | 40,429,346              | 41,592,416           | 1,474,544                | 1,525,968          | 41,903,890            | 43,118,384           |
| Other liabilities                   | 8,618,980               | 7,483,142            | 122,715                  | 89,947             | 8,741,695             | 7,573,089            |
| <b>Total liabilities</b>            | <b>49,048,326</b>       | <b>49,075,558</b>    | <b>1,597,259</b>         | <b>1,615,915</b>   | <b>50,645,585</b>     | <b>50,691,473</b>    |
| Deferred inflows<br>of resources    | 23,832,474              | 21,036,588           | 160,038                  | 75,575             | 23,992,512            | 21,112,163           |
| Net position:                       |                         |                      |                          |                    |                       |                      |
| Net investment in<br>capital assets | 56,499,125              | 45,857,273           | 430,951                  | 237,703            | 56,930,076            | 46,094,976           |
| Restricted                          | 6,271,838               | 13,744,874           | -                        | -                  | 6,271,838             | 13,744,874           |
| Unrestricted                        | (28,250,419)            | (23,916,653)         | (940,477)                | (307,079)          | (29,190,896)          | (24,223,732)         |
| <b>Total net position</b>           | <b>\$ 34,520,544</b>    | <b>\$ 35,685,494</b> | <b>\$ (509,526)</b>      | <b>\$ (69,376)</b> | <b>\$ 34,011,018</b>  | <b>\$ 35,616,118</b> |

The District's combined net position as of June 30, 2020 decreased by \$1,605,100 (4.5%) over the June 30, 2019 combined net position. Net position in the governmental activities decreased by \$1,164,950 (3.3%) The net position of the District's business-type activities decreased by \$440,150 (634.4%).

The most significant factor for the decrease in net position of the District was the lease purchase agreement for technology equipment. The District entered into a lease purchase agreement in the current year for Ipad and chromebook computers that are below the District's capitalization threshold. The decrease in net position was also due to the COVID-19 school closure reducing meals sold in school nutrition services and reducing various activities and fundraisers. Another factor is the District had increases of approximately \$2.1 million in the District's pension and other post-employment benefit liabilities.

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 \$7,473,036 (54.4%) primarily due to increases in net investment in capital assets as restricted sales, services and use tax sources were used for capital projects.

Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) decreased by \$4,967,164 (20.5%).

## Muscatine Community School District

### Management's Discussion and Analysis Year Ended June 30, 2020

Figure A-4 shows the changes in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

**Figure A-4 Changes in Net Position**

|   | Governmental Activities |                      | Business-Type Activities |                    | Total School District |                      |
|---|-------------------------|----------------------|--------------------------|--------------------|-----------------------|----------------------|
|   | June 30, 2020           | June 30, 2019        | June 30, 2020            | June 30, 2019      | June 30, 2020         | June 30, 2019        |
| <b>Revenues:</b>  |                         |                      |                          |                    |                       |                      |
| Program revenues:   |                         |                      |                          |                    |                       |                      |
| Charges for services  | \$ 2,469,963            | \$ 1,926,772         | \$ 479,666               | \$ 714,572         | \$ 2,949,629          | \$ 2,641,344         |
| Operating grants and contributions                                    | 10,888,353              | 11,278,903           | 1,842,749                | 1,966,766          | 12,731,102            | 13,245,669           |
| Capital grants and contributions                                      | -                       | -                    | -                        | -                  | -                     | -                    |
| General revenues:   |                         |                      |                          |                    |                       |                      |
| Property taxes  | 18,603,727              | 19,244,712           | -                        | -                  | 18,603,727            | 19,244,712           |
| Income surtax   | 332,891                 | 308,137              | -                        | -                  | 332,891               | 308,137              |
| State foundation aid  | 27,313,595              | 26,768,156           | -                        | -                  | 27,313,595            | 26,768,156           |
| Statewide sales and services tax                                      | 5,081,114               | 5,077,534            | -                        | -                  | 5,081,114             | 5,077,534            |
| Revenue in lieu of tax  | 637,213                 | 687,877              | -                        | -                  | 637,213               | 687,877              |
| Other   | 770,022                 | 408,324              | 1,249                    | 2,368              | 771,271               | 410,692              |
| <b>Total revenues</b>   | <b>66,096,878</b>       | <b>65,700,415</b>    | <b>2,323,664</b>         | <b>2,683,706</b>   | <b>68,420,542</b>     | <b>68,384,121</b>    |
| <b>Expenses:</b>  |                         |                      |                          |                    |                       |                      |
| Instruction   | 44,170,510              | 43,314,984           | -                        | -                  | 44,170,510            | 43,314,984           |
| Support services  | 20,804,046              | 20,084,179           | -                        | -                  | 20,804,046            | 20,084,179           |
| Noninstructional  | 34,468                  | 53,384               | 2,758,212                | 2,731,280          | 2,792,680             | 2,784,664            |
| Other   | 2,258,406               | 2,223,267            | -                        | -                  | 2,258,406             | 2,223,267            |
| <b>Total expenses</b>   | <b>67,267,430</b>       | <b>65,675,814</b>    | <b>2,758,212</b>         | <b>2,731,280</b>   | <b>70,025,642</b>     | <b>68,407,094</b>    |
| <b>Excess (deficiency) of revenues over expenses before transfers</b> |                         |                      |                          |                    |                       |                      |
|   | (1,170,552)             | 24,601               | (434,548)                | (47,574)           | (1,605,100)           | (22,973)             |
| Transfers   | 5,602                   | 6,617                | (5,602)                  | (6,617)            | -                     | -                    |
| <b>Increase (decrease) in net position</b>                            | <b>(1,164,950)</b>      | <b>31,218</b>        | <b>(440,150)</b>         | <b>(54,191)</b>    | <b>(1,605,100)</b>    | <b>(22,973)</b>      |
| Net position, beginning   | 35,685,494              | 35,654,276           | (69,376)                 | (15,185)           | 35,616,118            | 35,639,091           |
| Net position, ending  | <b>\$ 34,520,544</b>    | <b>\$ 35,685,494</b> | <b>\$ (509,526)</b>      | <b>\$ (69,376)</b> | <b>\$ 34,011,018</b>  | <b>\$ 35,616,118</b> |

In 2019-20, property taxes, income surtax, state foundation aid, statewide sales and services tax, and revenue in lieu of tax accounted for 78.6% 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 92.8% of the total expenses.

Total revenue for the District increased by \$36,421 (0.05%) in the fiscal year ended June 30, 2020. The most significant revenue category change was due to an increase of \$545,439 in state foundation aid from the state increasing supplemental state aid. Total District expenses increased by \$1,618,548 (2.4%), which was mainly attributable to an increase in instruction and support services due primarily to purchases of technology.

## Muscatine Community School District

### Management's Discussion and Analysis Year Ended June 30, 2020

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#### Governmental Activities

Revenue for the District's governmental activities in 2019-20 increased by \$396,463 (0.6%) from the previous year, while total expenses increased by \$1,591,616 (2.4%). Governmental activities net position as of June 30, 2020 decreased by \$1,164,950 (3.3%) over the June 30, 2019 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, 2020 compared to the year ended June 30, 2019.

|                  | Total Cost of Services |                      | Net Cost of Services |                      |
|------------------|------------------------|----------------------|----------------------|----------------------|
|                  | June 30, 2020          | June 30, 2019        | June 30, 2020        | June 30, 2019        |
| Instruction      | \$ 44,170,510          | \$ 43,314,984        | \$ 33,362,414        | \$ 32,947,969        |
| Support services | 20,804,046             | 20,084,179           | 20,488,430           | 19,468,786           |
| Noninstructional | 34,468                 | 53,384               | 34,468               | 53,384               |
| Other            | 2,258,406              | 2,223,267            | 23,802               | -                    |
| <b>Total</b>     | <b>\$ 67,267,430</b>   | <b>\$ 65,675,814</b> | <b>\$ 53,909,114</b> | <b>\$ 52,470,139</b> |

For the year ended June 30, 2020:

- The cost financed by the users of the District's programs was \$2,469,963.
- Federal and state governments and some local sources subsidized certain programs with grants and contributions totaling \$10,888,353.
- The net cost of governmental activities was financed with \$18,603,727 in property taxes, \$332,891 in income surtax, \$27,313,595 of unrestricted state grants, \$5,081,114 in statewide sales and services tax revenue, \$637,213 in revenue in lieu of tax and \$770,022 in other revenues.

For the year ended June 30, 2019:

- The cost financed by the users of the District's programs was \$1,926,772.
- Federal and state governments and some local sources subsidized certain programs with grants and contributions totaling \$11,278,903.
- The net cost of governmental activities was financed with \$19,244,712 in property taxes, \$308,137 in income surtax, \$26,768,156 of unrestricted state grants, \$5,077,534 in statewide sales and services tax revenue, \$687,877 in revenue in lieu of tax and \$408,324 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 2019-20 were \$2,323,664, a decrease of \$360,042 (13.4%) from 2018-19 due to the COVID-19 school closure. Expenses were \$2,758,212; an increase of \$26,932 (1.0%) from 2018-19 primarily due to increases in other postemployment and pension benefits.

## Muscatine Community School District

### Management's Discussion and Analysis Year Ended June 30, 2020

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#### 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 \$16,717,164, which reflects a decrease from last year's ending fund balances of \$25,553,458. The primary reason for the decrease in the combined fund balances at the end of the 2019-20 fiscal year is due to a decrease in the General Fund fund balance of \$1,629,471 due to a reduction in local tax and a decrease in the Capital Projects Fund fund balance of \$7,681,295 due to statewide sales services and use tax revenue and local tax from the physical plant and equipment levy being spent on capital projects of \$15,042,686 in the current year.

#### Governmental Fund Highlights

- The fund balance in the District's General Fund decreased by \$1,629,471 from \$12,765,316 as of June 30, 2019 to \$11,135,845 as of June 30, 2020. Local tax decreased \$977,173 from the prior year due to a tax rate reduction. Federal sources decreased \$439,000 due to expending less in federal programs.
- The fund balance in the Capital Projects Fund decreased by \$7,681,295. The statewide sales, service and use tax generated \$2,022 more in revenue in 2019-20 than in the previous fiscal year. Local tax generated from the physical plant and equipment levy was \$2,346,486 compared to the prior year of \$2,279,803 which represents a \$66,683 increase from 2018-19. Total capital projects expenditures were \$15,042,686 in 2019-20 compared to \$7,054,207 in 2018-19. In the current year, major expenditures included the High School Science/STEM addition, McKinley school addition and renovations and storm shelter.

#### Proprietary Fund Highlights

The net position of the Nutrition Fund decreased by \$440,150 during 2019-20 primarily due to charges for services decreasing \$234,906 as a result of the COVID-19 school closures and federal revenues decreasing \$123,468 due to serving fewer reimbursable meals.

#### 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.

## Muscatine Community School District

### Management's Discussion and Analysis Year Ended June 30, 2020

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 \$281,739 more than budgeted, a variance of 0.4%. Total expenditures were \$6,127,142 more than budgeted, a variance of 8.4%. The District exceeded budget expenditures in the instruction, support services, noninstructional programs and other functions 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 2019-20 fiscal year, the District had invested \$56,930,076 (net of accumulated depreciation of \$49,141,944) in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment and administrative offices. This amount represents a net increase of \$10,835,100 or 23.5% from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation expense for the year was \$3,972,825.

|                                      | Governmental Activities |                      | Business-Type Activities |                   | Total School District |                      |
|--------------------------------------|-------------------------|----------------------|--------------------------|-------------------|-----------------------|----------------------|
|                                      | June 30, 2020           | June 30, 2019        | June 30, 2020            | June 30, 2019     | June 30, 2020         | June 30, 2019        |
| Land                                 | \$ 1,454,234            | \$ 1,454,234         | \$ -                     | \$ -              | \$ 1,454,234          | \$ 1,454,234         |
| Construction in progress             | 9,723,578               | 1,734,490            | -                        | -                 | 9,723,578             | 1,734,490            |
| Buildings                            | 40,033,442              | 37,975,830           | -                        | -                 | 40,033,442            | 37,975,830           |
| Improvements other<br>than buildings | 2,396,122               | 1,816,930            | -                        | -                 | 2,396,122             | 1,816,930            |
| Furniture and equipment              | 2,891,749               | 2,875,789            | 430,951                  | 237,703           | 3,322,700             | 3,113,492            |
| <b>Total</b>                         | <b>\$ 56,499,125</b>    | <b>\$ 45,857,273</b> | <b>\$ 430,951</b>        | <b>\$ 237,703</b> | <b>\$ 56,930,076</b>  | <b>\$ 46,094,976</b> |

#### Long-Term Liabilities

As of June 30, 2020, the District had the following long-term liabilities:

|                       | Governmental Activities |                      | Business-Type Activities |                     | Total School District |                      |
|-----------------------|-------------------------|----------------------|--------------------------|---------------------|-----------------------|----------------------|
|                       | June 30, 2020           | June 30, 2019        | June 30, 2020            | June 30, 2019       | June 30, 2020         | June 30, 2019        |
| Capital lease         | \$ 905,104              | \$ -                 | \$ -                     | \$ -                | \$ 905,104            | \$ -                 |
| Compensated absences  | 222,261                 | 88,348               | -                        | -                   | 222,261               | 88,348               |
| Early retirement      | 1,292,495               | 1,544,639            | -                        | -                   | 1,292,495             | 1,544,639            |
| Net OPEB liability    | 12,128,078              | 11,283,100           | 619,981                  | 593,848             | 12,748,059            | 11,876,948           |
| Net pension liability | 25,881,408              | 28,676,329           | 854,563                  | 932,120             | 26,735,971            | 29,608,449           |
| <b>Total</b>          | <b>\$ 40,429,346</b>    | <b>\$ 41,592,416</b> | <b>\$ 1,474,544</b>      | <b>\$ 1,525,968</b> | <b>\$ 41,903,890</b>  | <b>\$ 43,118,384</b> |

More information regarding the District's long-term liabilities is provided in Notes 5, 6, and 7 to the financial statements.

## Muscatine Community School District

### Management's Discussion and Analysis Year Ended June 30, 2020

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#### 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:

- This District is monitoring the uncertainty of state and local finances in light of the national and global financial situation associated with COVID-19.
- The Iowa school funding formula is a complex formula that is pupil driven and increasing total spending authority is driven by increasing the number of pupils or increasing the cost per pupil. The legislature established an increase of "supplemental state aid" or SSA of 2.3% (\$158 per pupil) for the 2020/2021 school year. Funding at the state level continues to be a focal point for education. Low state supplemental aid increases are not satisfying cost of living increases as well as increased costs for operations.
- The October 1, 2020 certified student enrollment count, which is used to determine state foundation aid for the District for the 2021-22 school year, decreased by 121.54 to 4,690.3 from the October 1, 2019 count of 4,811.8. The number of open enrollment students from neighboring district's attending Muscatine Community School District increased from 69.4 to 73.7. The number of open enrollment students attending neighboring school districts increased from 209.2 to 238.6. The 164.9 open enrollment student net loss costs approximately \$1.1 million in expense for the District's general operating fund.
- The District's 4-year-old preschool program enrollment decreased by 28 students to a total enrollment of 257. The State of Iowa provides funding for four-year-old students enrolled in the program at 50% of regular program cost per student or \$3,519.00 per student for the 2020-21 school year. The District serves 135 preschool students and four community partner's serve the other 122 students.
- A new Science/STEM lab addition to the high school and a major addition on McKinley elementary was concluded in FY20.
- Two 7<sup>th</sup> – 8<sup>th</sup> grade middle schools in 2019-2020 were consolidated to 1 Junior High building in 2020-2021 with the oldest school building in the district closing in 2020.
- The District's desires not to have bonded indebtedness or to borrow money so cash flow in Capital Projects funds is greatly affected. The extension of the Secure an Advanced Vision for Education (SAVE, formally LOST Fund) through 2050 was critical for future capital projects and maintaining school infrastructure.
- The District ended fiscal year 2020 with a positive solvency ratio of 20.3%. This is a decrease from the previous year solvency ratio of 22.5%. Unspent spending authority increased to 17.1% from 16.6% from fiscal year 2019 to 2020. Both of these ratios are a measurement of financial health for the District's general operating fund.

#### 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 Budget, Muscatine Community School District, 2900 Mulberry Avenue, Muscatine, Iowa 52761.

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**Muscatine Community School District**

**Statement of Net Position**

**June 30, 2020**

|   | Primary Government         |                             |                      |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| <b>Assets</b>                               |                            |                             |                      |
| Cash and pooled investments                 | \$ 23,241,912              | \$ 409,990                  | \$ 23,651,902        |
| Receivables:                                |                            |                             |                      |
| Property tax:                               |                            |                             |                      |
| Current year                                | 615,453                    | -                           | 615,453              |
| Succeeding year                             | 18,425,815                 | -                           | 18,425,815           |
| Accounts                                    | 67,108                     | 47                          | 67,155               |
| Income surtax                               | 302,973                    | -                           | 302,973              |
| Due from other governments                  | 1,654,886                  | 75,445                      | 1,730,331            |
| Inventories                                 | -                          | 123,907                     | 123,907              |
| Capital assets:                             |                            |                             |                      |
| Nondepreciable                              | 11,177,812                 | -                           | 11,177,812           |
| Depreciable, net                            | 45,321,313                 | 430,951                     | 45,752,264           |
| <b>Total assets</b>                         | <b>100,807,272</b>         | <b>1,040,340</b>            | <b>101,847,612</b>   |
| <b>Deferred Outflows of Resources,</b>      |                            |                             |                      |
| OPEB related deferred outflows              | 516,909                    | 21,407                      | 538,316              |
| Pension related deferred outflows           | 6,077,163                  | 186,024                     | 6,263,187            |
| <b>Total deferred outflows of resources</b> | <b>6,594,072</b>           | <b>207,431</b>              | <b>6,801,503</b>     |
| <b>Liabilities</b>                          |                            |                             |                      |
| Accounts payable                            | 2,359,178                  | 18,762                      | 2,377,940            |
| Salaries and benefits payable               | 5,554,547                  | 79,245                      | 5,633,792            |
| Unearned revenue                            | 681,453                    | 24,708                      | 706,161              |
| Accrued interest payable                    | 23,802                     | -                           | 23,802               |
| Long-term liabilities:                      |                            |                             |                      |
| Portion due within one year:                |                            |                             |                      |
| Capital lease                               | 446,152                    | -                           | 446,152              |
| Compensated absences                        | 222,261                    | -                           | 222,261              |
| Early retirement                            | 442,299                    | -                           | 442,299              |
| Portion due after one year:                 |                            |                             |                      |
| Capital lease                               | 458,952                    | -                           | 458,952              |
| Early retirement                            | 850,196                    | -                           | 850,196              |
| Net OPEB liability                          | 12,128,078                 | 619,981                     | 12,748,059           |
| Net pension liability                       | 25,881,408                 | 854,563                     | 26,735,971           |
| <b>Total liabilities</b>                    | <b>49,048,326</b>          | <b>1,597,259</b>            | <b>50,645,585</b>    |
| <b>Deferred Inflows of Resources</b>        |                            |                             |                      |
| Succeeding year property tax                | 18,425,815                 | -                           | 18,425,815           |
| OPEB related deferred inflows               | 528,363                    | 18,887                      | 547,250              |
| Pension related deferred inflows            | 4,878,296                  | 141,151                     | 5,019,447            |
| <b>Total deferred inflows of resources</b>  | <b>23,832,474</b>          | <b>160,038</b>              | <b>23,992,512</b>    |
| <b>Net Position</b>                         |                            |                             |                      |
| Net investment in capital assets            | 56,499,125                 | 430,951                     | 56,930,076           |
| Restricted for:                             |                            |                             |                      |
| Categorical funding                         | 431,302                    | -                           | 431,302              |
| Management levy                             | 1,939,713                  | -                           | 1,939,713            |
| Physical plant and equipment levy           | 1,513,947                  | -                           | 1,513,947            |
| Student activities                          | 277,377                    | -                           | 277,377              |
| School infrastructure                       | 2,078,181                  | -                           | 2,078,181            |
| Instructional programs                      | 31,318                     | -                           | 31,318               |
| Unrestricted                                | (28,250,419)               | (940,477)                   | (29,190,896)         |
| <b>Total net position</b>                   | <b>\$ 34,520,544</b>       | <b>\$ (509,526)</b>         | <b>\$ 34,011,018</b> |

See Notes to Basic Financial Statements.

**Muscatine Community School District**

**Statement of Activities  
Year Ended June 30, 2020**

| Functions/Programs                                 | Expenses             | Charges<br>for Services |
|--|----------------------|-------------------------|
| Governmental activities:                           |                      |                         |
| Instruction  | \$ 44,170,510        | \$ 2,451,882            |
| Support services:                                  |                      |                         |
| Student services                                   | 2,352,438            | -                       |
| Instructional staff services                       | 2,567,827            | -                       |
| Administration services                            | 6,907,640            | -                       |
| Operation and maintenance of plant services        | 6,528,785            | -                       |
| Transportation services                            | 2,447,356            | 18,081                  |
|  | <u>20,804,046</u>    | <u>18,081</u>           |
| Noninstructional programs                          | 34,468               | -                       |
| Other expenditures:                                |                      |                         |
| Interest expense                                   | 23,802               | -                       |
| AEA flowthrough                                    | 2,234,604            | -                       |
|  | <u>2,258,406</u>     | <u>-</u>                |
| Total governmental activities                      | <u>67,267,430</u>    | <u>2,469,963</u>        |
| Business-type activities:                          |                      |                         |
| Food service operations, noninstructional programs | 2,758,212            | 479,666                 |
| Total business-type activities                     | <u>2,758,212</u>     | <u>479,666</u>          |
| Total primary government                           | <u>\$ 70,025,642</u> | <u>\$ 2,949,629</u>     |
| General revenues and transfers:                    |                      |                         |
| 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                   |                      |                         |
| Gain on sale of capital assets                     |                      |                         |
| Transfers  |                      |                         |
| Total general revenues and transfers               |                      |                         |
| Change in net position                             |                      |                         |
| Net position, beginning of year                    |                      |                         |
| Net position, end of year                          |                      |                         |

See Notes to Basic Financial Statements.

| Program Revenues                      |                                     | Net (Expense) Revenue<br>and Changes in Net Position |                             |                 |
|---------------------------------------|-------------------------------------|--|-----------------------------|-----------------|
| Operating Grants<br>and Contributions | Capital Grants<br>and Contributions | Governmental<br>Activities                           | Business-Type<br>Activities | Total           |
| \$ 8,356,214                          | \$ -                                | \$ (33,362,414)                                      | \$ -                        | \$ (33,362,414) |
| 274,995                               | -                                   | (2,077,443)  | -                           | (2,077,443)     |
| -                                     | -                                   | (2,567,827)  | -                           | (2,567,827)     |
| -                                     | -                                   | (6,907,640)  | -                           | (6,907,640)     |
| -                                     | -                                   | (6,528,785)  | -                           | (6,528,785)     |
| 22,540                                | -                                   | (2,406,735)  | -                           | (2,406,735)     |
| 297,535                               | -                                   | (20,488,430)   | -                           | (20,488,430)    |
| -                                     | -                                   | (34,468)   | -                           | (34,468)        |
| -                                     | -                                   | (23,802)   | -                           | (23,802)        |
| 2,234,604                             | -                                   | -  | -                           | -               |
| 2,234,604                             | -                                   | (23,802)   | -                           | (23,802)        |
| 10,888,353                            | -                                   | (53,909,114)   | -                           | (53,909,114)    |
| 1,842,749                             | -                                   | -  | (435,797)                   | (435,797)       |
| 1,842,749                             | -                                   | -  | (435,797)                   | (435,797)       |
| \$ 12,731,102                         | \$ -                                | (53,909,114)   | (435,797)                   | (54,344,911)    |
|                                       |                                     | 14,729,130   | -                           | 14,729,130      |
|                                       |                                     | 2,346,486  | -                           | 2,346,486       |
|                                       |                                     | 1,528,111  | -                           | 1,528,111       |
|                                       |                                     | 332,891  | -                           | 332,891         |
|                                       |                                     | 5,081,114  | -                           | 5,081,114       |
|                                       |                                     | 637,213  | -                           | 637,213         |
|                                       |                                     | 27,313,595   | -                           | 27,313,595      |
|                                       |                                     | 328,124  | 1,249                       | 329,373         |
|                                       |                                     | 441,898  | -                           | 441,898         |
|                                       |                                     | 5,602  | (5,602)                     | -               |
|                                       |                                     | 52,744,164   | (4,353)                     | 52,739,811      |
|                                       |                                     | (1,164,950)  | (440,150)                   | (1,605,100)     |
|                                       |                                     | 35,685,494   | (69,376)                    | 35,616,118      |
| \$                                    | \$                                  | 34,520,544   | (509,526)                   | \$ 34,011,018   |

**Muscatine Community School District**

**Balance Sheet  
Governmental Funds  
June 30, 2020**

|   | General              | Capital Projects    | Nonmajor            | Total                |
|---|----------------------|---------------------|---------------------|----------------------|
| <b>Assets</b>   |                      |                     |                     |                      |
| Cash and pooled investments   | \$ 16,626,200        | \$ 4,426,254        | \$ 2,189,458        | \$ 23,241,912        |
| Receivables:  |                      |                     |                     |                      |
| Property tax:   |                      |                     |                     |                      |
| Current year  | 486,697              | 78,342              | 50,414              | 615,453              |
| Succeeding year   | 14,554,520           | 2,371,295           | 1,500,000           | 18,425,815           |
| Accounts  | 15,500               | -                   | 51,608              | 67,108               |
| Income surtax   | 302,973              | -                   | -                   | 302,973              |
| Due from other governments  | 968,139              | 686,604             | 143                 | 1,654,886            |
| <b>Total assets</b>   | <b>\$ 32,954,029</b> | <b>\$ 7,562,495</b> | <b>\$ 3,791,623</b> | <b>\$ 44,308,147</b> |
| <b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>      |                      |                     |                     |                      |
| Liabilities:  |                      |                     |                     |                      |
| Accounts payable  | \$ 716,891           | \$ 1,599,072        | \$ 43,215           | \$ 2,359,178         |
| Salaries and benefits payable   | 5,554,547            | -                   | -                   | 5,554,547            |
| Unearned revenue  | 681,453              | -                   | -                   | 681,453              |
| <b>Total liabilities</b>  | <b>6,952,891</b>     | <b>1,599,072</b>    | <b>43,215</b>       | <b>8,595,178</b>     |
| Deferred Inflows of Resources:  |                      |                     |                     |                      |
| Unavailable revenue:  |                      |                     |                     |                      |
| Succeeding year property tax  | 14,554,520           | 2,371,295           | 1,500,000           | 18,425,815           |
| Income surtax   | 310,773              | -                   | -                   | 310,773              |
| Statewide sales and services tax  | -                    | 259,217             | -                   | 259,217              |
| <b>Total deferred inflows of resources</b>                                | <b>14,865,293</b>    | <b>2,630,512</b>    | <b>1,500,000</b>    | <b>18,995,805</b>    |
| Fund balances:  |                      |                     |                     |                      |
| Restricted for:   |                      |                     |                     |                      |
| Categorical funding   | 431,302              | -                   | -                   | 431,302              |
| Management levy   | -                    | -                   | 1,939,713           | 1,939,713            |
| Physical plant and equipment levy   | -                    | 1,513,947           | -                   | 1,513,947            |
| School infrastructure   | -                    | 1,818,964           | -                   | 1,818,964            |
| Student activity purposes   | -                    | -                   | 277,377             | 277,377              |
| Instructional programs  | -                    | -                   | 31,318              | 31,318               |
| Assigned  | 60,534               | -                   | -                   | 60,534               |
| Unassigned  | 10,644,009           | -                   | -                   | 10,644,009           |
| <b>Total fund balances</b>  | <b>11,135,845</b>    | <b>3,332,911</b>    | <b>2,248,408</b>    | <b>16,717,164</b>    |
| <b>Total liabilities, deferred inflows of resources and fund balances</b> | <b>\$ 32,954,029</b> | <b>\$ 7,562,495</b> | <b>\$ 3,791,623</b> | <b>\$ 44,308,147</b> |

See Notes to Basic Financial Statements.

**Muscatine Community School District**

**Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Position  
June 30, 2020**

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Total fund balances of governmental funds \$ 16,717,164

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. 56,499,125

Other long-term assets are not available to pay for current period expenditures  
and, therefore, are unavailable in the funds. 569,990

Pension and OPEB related deferred outflows of resources and deferred inflows of  
resources are not due and payable in the current year and, therefore are not  
reported in the governmental funds as follows:

|  |             |
|--|-------------|
| OPEB related deferred outflows of resources    | 516,909     |
| OPEB related deferred inflows of resources     | (528,363)   |
| Pension related deferred outflows of resources | 6,077,163   |
| Pension related deferred inflows of resources  | (4,878,296) |

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.

|                          |              |
|--------------------------|--------------|
| Compensated absences     | (222,261)    |
| Capital lease            | (905,104)    |
| Accrued interest payable | (23,802)     |
| Early retirement         | (1,292,495)  |
| Net OPEB liability       | (12,128,078) |
| Net pension liability    | (25,881,408) |

|  |                      |
|--|----------------------|
| <b>Net position of governmental activities</b> | <b>\$ 34,520,544</b> |
|--|----------------------|

See Notes to Basic Financial Statements.

**Muscatine Community School District**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2020**

|  | General            | Capital Projects   | Nonmajor         | Total               |
|--|--------------------|--------------------|------------------|---------------------|
| <b>Revenues:</b>   |                    |                    |                  |                     |
| Local sources:   |                    |                    |                  |                     |
| Local tax  | \$ 15,049,626      | \$ 2,346,486       | \$ 1,528,111     | \$ 18,924,223       |
| Tuition  | 622,077            | -                  | -                | 622,077             |
| Private donations  | 175,948            | 1,025,000          | -                | 1,200,948           |
| Interest   | 225,930            | 79,771             | 22,423           | 328,124             |
| Other  | 149,177            | -                  | 497,762          | 646,939             |
| State sources  | 36,819,620         | 5,152,909          | 52,954           | 42,025,483          |
| Federal sources  | 1,886,347          | -                  | -                | 1,886,347           |
| <b>Total revenues</b>  | <b>54,928,725</b>  | <b>8,604,166</b>   | <b>2,101,250</b> | <b>65,634,141</b>   |
| <b>Expenditures:</b>   |                    |                    |                  |                     |
| Current:   |                    |                    |                  |                     |
| Instruction  | 37,234,949         | 1,436,718          | 967,816          | 39,639,483          |
| Support services:  |                    |                    |                  |                     |
| Student services   | 2,245,719          | -                  | 5,940            | 2,251,659           |
| Instructional staff services                                     | 2,412,817          | 13,001             | 5,303            | 2,431,121           |
| Administration services  | 6,209,409          | 326,859            | 137,689          | 6,673,957           |
| Operation and maintenance of plant services                      | 4,964,556          | 241,300            | 363,771          | 5,569,627           |
| Transportation services  | 1,262,769          | 570,874            | 99,941           | 1,933,584           |
|  | 17,095,270         | 1,152,034          | 612,644          | 18,859,948          |
| Noninstructional programs  | -                  | -                  | 46,318           | 46,318              |
| Other expenditures:  |                    |                    |                  |                     |
| Facilities acquisition   | -                  | 15,042,686         | -                | 15,042,686          |
| Debt service, principal  | -                  | 472,118            | -                | 472,118             |
| AEA flowthrough  | 2,234,604          | -                  | -                | 2,234,604           |
|  | 2,234,604          | 15,514,804         | -                | 17,749,408          |
| <b>Total expenditures</b>  | <b>56,564,823</b>  | <b>18,103,556</b>  | <b>1,626,778</b> | <b>76,295,157</b>   |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>(1,636,098)</b> | <b>(9,499,390)</b> | <b>474,472</b>   | <b>(10,661,016)</b> |
| Other financing sources:   |                    |                    |                  |                     |
| Transfer in  | 5,602              | -                  | -                | 5,602               |
| Proceeds from sale of capital assets                             | 1,025              | 440,873            | -                | 441,898             |
| Lease purchase agreement   | -                  | 1,377,222          | -                | 1,377,222           |
| <b>Total other financing sources</b>                             | <b>6,627</b>       | <b>1,818,095</b>   | <b>-</b>         | <b>1,824,722</b>    |
| <b>Net change in fund balance</b>                                | <b>(1,629,471)</b> | <b>(7,681,295)</b> | <b>474,472</b>   | <b>(8,836,294)</b>  |
| Fund balances, beginning of year                                 | 12,765,316         | 11,014,206         | 1,773,936        | 25,553,458          |
| Fund balances, end of year                                       | \$ 11,135,845      | \$ 3,332,911       | \$ 2,248,408     | \$ 16,717,164       |

See Notes to Basic 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, 2020**

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Net change in fund balances - total governmental funds \$ (8,836,294)

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      | 14,565,243  |            |
| Depreciation expense                 | (3,923,391) |            |
| Proceeds from sale of capital assets | (441,898)   |            |
| Gain on sale of capital asset        | 441,898     |            |
|                                      | 10,641,852  | 10,641,852 |

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 20,839

The issuance of long-term debt provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. The issuance of debt increases liabilities in the Statement of Net Position, while the repayment of long-term debt reduces long-term liabilities. The following is the detail of the net effect of these differences in the treatment of long-term debt related items:

|                             |             |           |
|-----------------------------|-------------|-----------|
| Repayment of long-term debt | 472,118     |           |
| Lease purchase agreement    | (1,377,222) |           |
|                             | (905,104)   | (905,104) |

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:

|                                    |             |             |
|------------------------------------|-------------|-------------|
| Compensated absences               | (133,913)   |             |
| Change in accrued interest payable | (23,802)    |             |
| Early retirement                   | 252,144     |             |
| Net pension expense                | (1,191,824) |             |
| Net OPEB liability                 | (988,848)   |             |
|                                    | (2,086,243) | (2,086,243) |

**Change in net position of governmental activities \$ (1,164,950)**

See Notes to Basic Financial Statements.

**Muscatine Community School District**

**Statement of Net Position**

**Proprietary Funds**

**June 30, 2020**

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|   | <u>Enterprise Fund</u> |
|---|------------------------|
|   | School                 |
|   | <u>Nutrition</u>       |
| <b>Assets</b>                                   |                        |
| Cash and cash equivalents                       | \$ 409,990             |
| Accounts receivable                             | 47                     |
| Intergovernmental receivable                    | 75,445                 |
| Inventories                                     | 123,907                |
| Capital assets, net of accumulated depreciation | 430,951                |
| <b>Total assets</b>                             | <u>1,040,340</u>       |
| <b>Deferred Outflows of Resources:</b>          |                        |
| OPEB related deferred outflows                  | 21,407                 |
| Pension related deferred outflows               | 186,024                |
| <b>Total deferred outflows of resources</b>     | <u>207,431</u>         |
| <b>Liabilities</b>                              |                        |
| Accounts payable                                | 18,762                 |
| Salaries and benefits payable                   | 79,245                 |
| Unearned revenue                                | 24,708                 |
| Net OPEB liability                              | 619,981                |
| Net pension liability                           | 854,563                |
| <b>Total liabilities</b>                        | <u>1,597,259</u>       |
| <b>Deferred Inflows of Resources:</b>           |                        |
| OPEB related deferred inflows                   | 18,887                 |
| Pension related deferred inflows                | 141,151                |
| <b>Total deferred inflows of resources</b>      | <u>160,038</u>         |
| <b>Net Position</b>                             |                        |
| Net investment in capital assets                | 430,951                |
| Unrestricted                                    | (940,477)              |
| <b>Total net position (deficit)</b>             | <u>\$ (509,526)</u>    |

See Notes to Basic Financial Statements.

**Muscatine Community School District**

**Statement of Revenues, Expenses and Changes in Net Position (Deficit)**

**Proprietary Funds**

**Year Ended June 30, 2020**

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|   | <u>Enterprise Fund</u> |
|---|------------------------|
|   | School                 |
|   | <u>Nutrition</u>       |
| Operating revenues:                       |                        |
| Local sources, charges for services       | <u>\$ 479,666</u>      |
| Operating expenses:                       |                        |
| Noninstructional programs:                |                        |
| Salaries                                  | 1,090,391              |
| Benefits                                  | 486,085                |
| Purchased services                        | 67,520                 |
| Supplies                                  | 1,057,510              |
| Depreciation                              | 49,434                 |
| Other                                     | 7,272                  |
| Total noninstructional programs           | <u>2,758,212</u>       |
| <b>Total operating expenses</b>           | <u>2,758,212</u>       |
| <b>Operating (loss)</b>                   | <u>(2,278,546)</u>     |
| Nonoperating revenues:                    |                        |
| Interest on investments                   | 1,249                  |
| State sources                             | 19,446                 |
| Federal sources                           | 1,823,303              |
| <b>Total nonoperating revenues</b>        | <u>1,843,998</u>       |
| <b>Loss before transfers</b>              | (434,548)              |
| Transfers (out)                           | <u>(5,602)</u>         |
| <b>Change in net position</b>             | (440,150)              |
| Net position (deficit), beginning of year | (69,376)               |
| Net position (deficit), end of year       | <u>\$ (509,526)</u>    |

See Notes to Basic Financial Statements.

**Muscatine Community School District**

**Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2020**

|  | <u>Enterprise Fund</u><br><u>School</u><br><u>Nutrition</u> |
|--|---|
| Cash flows from operating activities:                            |   |
| Cash received from sale of lunches and breakfasts                | \$ 442,039  |
| Cash payments to employees for services                          | (1,271,018)   |
| Cash payments to suppliers for goods or services                 | (1,120,626)   |
| <b>Net cash (used in) operating activities</b>                   | <u>(1,949,605)</u>  |
| Cash flows from noncapital financing activities:                 |   |
| State grants received  | 19,446  |
| Federal grants received  | 1,599,017   |
| Transfers (out)  | (5,602)   |
| <b>Net cash provided by noncapital financing activities</b>      | <u>1,612,861</u>  |
| Cash flows (used in) capital related financing activities,       |   |
| Acquisition of capital assets                                    | <u>(242,682)</u>  |
| Cash flows from investing activities, interest on investments    | <u>1,249</u>  |
| <b>Net (decrease) in cash and cash equivalents</b>               | (578,177)   |
| Cash and cash equivalents, beginning of year                     | 988,167   |
| Cash and cash equivalents, end of year                           | <u>\$ 409,990</u>   |
| Reconciliation of operating (loss) to net cash                   |   |
| (used in) operating activities:                                  |   |
| Operating (loss)   | \$ (2,278,546)  |
| Adjustments to reconcile operating (loss) to net cash            |   |
| (used in) operating activities:                                  |   |
| Depreciation   | 49,434  |
| Commodities used   | 224,286   |
| Decrease in accounts receivable                                  | 34,078  |
| (Increase) in intergovernmental receivable                       | (75,445)  |
| Decrease in inventories  | 165   |
| Increase in accounts payable                                     | 11,511  |
| Increase in salaries and benefits payable                        | 17,517  |
| Increase in net OPEB liability and related                       |   |
| deferred outflows of resources and deferred inflows of resources | 30,582  |
| Increase in net pension liability and related                    |   |
| deferred outflows of resources and deferred inflows of resources | 33,073  |
| Increase in unearned revenue                                     | 3,740   |
| <b>Net cash (used in) operating activities</b>                   | <u>\$ (1,949,605)</u>                                       |
| Schedule of noncash items:                                       |   |
| Noncapital financing activities, federal commodities             | <u>\$ 224,286</u>   |

See Notes to Basic Financial Statements.

**Muscatine Community School District**

**Statement of Fiduciary Net Position**

**Fiduciary Funds**

**June 30, 2020**

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|  | Private Purpose   |                  |
|--|-------------------|------------------|
|  | Trust             | Agency           |
| <b>Assets</b>                                    |                   |                  |
| Cash and investments                             | \$ 139,349        | \$ 93,115        |
| <b>Total assets</b>                              | <u>\$ 139,349</u> | <u>\$ 93,115</u> |
| <b>Liabilities</b>                               |                   |                  |
| Accounts payable                                 | \$ 1,000          | \$ 31,250        |
| Other current liabilities                        | -                 | 49,710           |
| Due to other groups                              | -                 | 12,155           |
| <b>Total liabilities</b>                         | <u>\$ 1,000</u>   | <u>\$ 93,115</u> |
| <b>Net position, restricted for scholarships</b> | <u>\$ 138,349</u> |                  |

See Notes to Basic Financial Statements.

**Muscatine Community School District**

**Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2020**

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|                                      | <u>Private Purpose<br/>Trust</u>  |
|--------------------------------------|-----------------------------------|
| Additions:                           |                                   |
| Net investment income                | <u>\$          5,483</u>          |
| Deductions:                          |                                   |
| Instruction,<br>scholarships awarded | <u>                  10,534</u>   |
| <b>Change in net position</b>        | <b>(5,051)</b>                    |
| Net position, beginning of year      | <u>                  143,400</u>  |
| Net position, end of year            | <u><u>\$          138,349</u></u> |

See Notes to Basic Financial Statements.

## Muscatine Community School District

### Notes to Basic Financial Statements Year Ended June 30, 2020

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#### 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 preschool 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 (GASB) 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; and (3) fiscal dependency. The District has no component units which meet the GASB criteria.

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.

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.

## Muscatine Community School District

### Notes to Basic Financial Statements Year Ended June 30, 2020

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

## Muscatine Community School District

### Notes to Basic Financial Statements Year Ended June 30, 2020

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#### **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 funds are 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 funds are 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.

## Muscatine Community School District

### Notes to Basic Financial Statements Year Ended June 30, 2020

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#### 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.

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

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.

**Muscatine Community School District**

**Notes to Basic Financial Statements**  
**Year Ended June 30, 2020**

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**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                         | 25,000 |
| Improvements other than buildings | 25,000 |
| Intangibles                       | 50,000 |
| Furniture and equipment:          |        |
| School Nutrition Fund equipment   | 500    |
| Other furniture and equipment     | 5,000  |

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 | 15 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.

Compensated absences: District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired.

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 grant advances, school registration fees and meal deposits collected for the programs and services in the next school year.

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.

## Muscatine Community School District

### Notes to Basic Financial Statements Year Ended June 30, 2020

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#### 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. The District has assigned \$60,534 primarily for instructional programs. Unlike commitments, assignments only exist temporarily. An additional action does not normally have to be taken for removal of an assignment.

**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 other postemployment benefit 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.

## Muscatine Community School District

### Notes to Basic Financial Statements Year Ended June 30, 2020

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#### Note 1. Summary of Significant Accounting Policies (Continued)

The District's deferred inflows of resources in the government-wide statements consist of succeeding year property tax revenue, and unrecognized items not yet charged to pension expense and other postemployment benefit expense.

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, 2020 consists of \$431,302 for categorical funding, \$1,939,713 for management levy purposes, \$1,513,947 for physical plant and equipment levy, \$277,377 for student activities, \$2,078,181 for school infrastructure, and \$31,318 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.

Cashflows: For the purpose of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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 instruction, support services, noninstructional programs and other expenditures functions.

## Muscatine Community School District

### Notes to Basic Financial Statements Year Ended June 30, 2020

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#### 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.

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 prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2020, the District's Private Purpose Trust Fund investments were as follows:

|   | Investment Maturities (in Years) |                  |             |             |                  |
|---|----------------------------------|------------------|-------------|-------------|------------------|
|   | Fair Value                       | Less than 1      | 1-5         | 6-10        | >10              |
| Bond Funds,                                     |                                  |                  |             |             |                  |
| Lord Abbett Ultra Short                         | \$ 6,000                         | \$ 6,000         | \$ -        | \$ -        | \$ -             |
| First Trust Low Duration<br>Strategic Focus EFT | 51,182                           | 51,182           | -           | -           | -                |
| GNMA  | 12,805                           | -                | -           | -           | 12,805           |
| Total Investment Pool                           | <u>\$ 69,987</u>                 | <u>\$ 57,182</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,805</u> |

The Lord Abbett Ultra Short Fund invests in fixed income and money market securities. The Lord Abbett Ultra Short Fund is measured at net asset value. The fair value of the account is each share held on the value of the position is the sales price of the mutual fund using quoted market prices (level 1 inputs) multiplied by the number of shares held. There were no limitations or restrictions on withdrawals.

The First Trust Low Duration Strategic Focus ETF Fund invests in U.S. listed exchange-traded funds. The First Trust Low Duration Strategic Focus ETF Fund is measured at net asset value. The fair value of the account is each share held on the value of the position is the sales price of the mutual fund using quoted market prices (level 1 inputs) multiplied by the number of shares held. There were no limitations or restrictions on withdrawals.

The GNMA is valued at level 1 inputs.

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: As of June 30, 2020, the District's investments in the Lord Abbett Ultra Short bond fund and First Trust Low Duration Strategic Focus EFT were not rated.

Custodial credit risk: The District's cash and pooled investments consisted of depository accounts at financial institutions including certificate of deposits. The District's deposits in banks as of June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investments of collateral securities that are in the possession of another party. As of June 30, 2020, the District's investments are not exposed to custodial credit risk.

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2020**

**Note 2. Cash and Pooled Investments (Continued)**

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, 2020, the District has U.S. Treasury Bonds of \$74,696 with fair value measurement Level 1 inputs.

**Note 3. Interfund Transfers**

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

| Transfer To  | Transfer From         | Amount   |
|--------------|-----------------------|----------|
| General Fund | School Nutrition Fund | \$ 5,602 |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**Note 4. Capital Assets**

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

|  | Balance<br>Beginning<br>of Year | Increases            | Decreases           | Balance End<br>of Year |
|--|---------------------------------|----------------------|---------------------|------------------------|
| Governmental activities:                               |                                 |                      |                     |                        |
| Capital assets not being depreciated:                  |                                 |                      |                     |                        |
| Land   | \$ 1,454,234                    | \$ -                 | \$ -                | \$ 1,454,234           |
| Construction in progress                               | 1,734,490                       | 12,993,283           | 5,004,195           | 9,723,578              |
| <b>Total capital assets not<br/>being depreciated</b>  | <b>3,188,724</b>                | <b>12,993,283</b>    | <b>5,004,195</b>    | <b>11,177,812</b>      |
| Capital assets being depreciated:                      |                                 |                      |                     |                        |
| Buildings  | 74,380,497                      | 4,771,642            | -                   | 79,152,139             |
| Improvements other than buildings                      | 4,837,828                       | 880,803              | -                   | 5,718,631              |
| Furniture and equipment                                | 8,666,712                       | 923,710              | 613,535             | 8,976,887              |
| <b>Total capital assets being<br/>depreciated</b>      | <b>87,885,037</b>               | <b>6,576,155</b>     | <b>613,535</b>      | <b>93,847,657</b>      |
| Less accumulated depreciation for:                     |                                 |                      |                     |                        |
| Buildings  | 36,404,667                      | 2,714,030            | -                   | 39,118,697             |
| Improvements other than buildings                      | 3,020,898                       | 301,611              | -                   | 3,322,509              |
| Furniture and equipment                                | 5,790,923                       | 907,750              | 613,535             | 6,085,138              |
| <b>Total accumulated depreciation</b>                  | <b>45,216,488</b>               | <b>3,923,391</b>     | <b>613,535</b>      | <b>48,526,344</b>      |
| <b>Total capital assets being<br/>depreciated, net</b> | <b>42,668,549</b>               | <b>2,652,764</b>     | <b>-</b>            | <b>45,321,313</b>      |
| <b>Governmental activities<br/>capital assets, net</b> | <b>\$ 45,857,273</b>            | <b>\$ 15,646,047</b> | <b>\$ 5,004,195</b> | <b>\$ 56,499,125</b>   |

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2020**

**Note 4. Capital Assets (Continued)**

|   | Balance<br>Beginning<br>of Year | Increases         | Decreases   | Balance End<br>of Year |
|---|---------------------------------|-------------------|-------------|------------------------|
| Business-type activities:                               |                                 |                   |             |                        |
| Furniture and equipment                                 | \$ 803,869                      | \$ 242,682        | \$ -        | \$ 1,046,551           |
| Less accumulated depreciation                           | 566,166                         | 49,434            | -           | 615,600                |
| <b>Business-type activities<br/>capital assets, net</b> | <b>\$ 237,703</b>               | <b>\$ 193,248</b> | <b>\$ -</b> | <b>\$ 430,951</b>      |

Depreciation expense was charged by the District as follows:

|   |                     |
|---|---------------------|
| Governmental activities:                                  |                     |
| Instruction   | \$ 3,054,980        |
| Support services:   |                     |
| Instructional staff services                              | 46,164              |
| Administration  | 3,600               |
| Operation and maintenance of plant services               | 364,567             |
| Transportation services                                   | 454,080             |
| <b>Total governmental activities depreciation expense</b> | <b>\$ 3,923,391</b> |
| Business-type activities, food service operations         | \$ 49,434           |

**Note 5. Long-Term Liabilities**

As summary of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

|                          | Balance<br>Beginning<br>of Year | Additions           | Reductions          | Balance End<br>of Year | Due Within<br>One Year |
|--------------------------|---------------------------------|---------------------|---------------------|------------------------|------------------------|
| Governmental activities: |                                 |                     |                     |                        |                        |
| Compensated absences     | \$ 88,348                       | \$ 420,158          | \$ 286,245          | \$ 222,261             | \$ 222,261             |
| Early retirement         | 1,544,639                       | 387,746             | 639,890             | 1,292,495              | 442,299                |
| Capital lease            | -                               | 1,377,222           | 472,118             | 905,104                | 446,152                |
|                          | <b>\$ 1,632,987</b>             | <b>\$ 2,185,126</b> | <b>\$ 1,398,253</b> | <b>\$ 2,419,860</b>    | <b>\$ 1,110,712</b>    |

**Compensated Absences**

The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

**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 15 years of service to the District. Employees must complete an application which is required to be approved by the Board of Education.

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2020**

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**Note 5. Long-Term Liabilities (Continued)**

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

As of June 30, 2020, the District had obligations to 96 participants with a total liability of \$1,292,495. Actual early retirement expenditures for the year ended June 30, 2020 totaled \$639,890. 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.

**Capital Lease**

On August 1, 2019, the District entered into a lease purchase agreement for technology equipment purchases of \$1,377,222. The lease purchase requires annual payments of \$472,118 on August 1 commencing August 1, 2019 until maturity on August 1, 2021 and has an interest rate of 2.87 percent. The District paid \$472,118 in principal and \$0 interest for the year ended June 30, 2020. The computers do not meet the District’s capitalization thresholds. The debt service requirements of the lease purchase agreement will be paid by the Capital Projects Fund and are as follows:

| Year Ending<br>June 30, | Principal         | Interest         | Total             |
|-------------------------|-------------------|------------------|-------------------|
| 2021                    | \$ 446,152        | \$ 25,966        | \$ 472,118        |
| 2022                    | 458,952           | 13,166           | 472,118           |
| <b>Total</b>            | <b>\$ 905,104</b> | <b>\$ 39,132</b> | <b>\$ 944,236</b> |

**Note 6. Postemployment Benefits Other Than Pensions (OPEB)**

**General Information about the OPEB Plan**

Plan description: The District’s defined benefit OPEB plan, Muscatine School District Postemployment Plan Other Than Pensions (the Plan), provides postemployment benefits for eligible participants enrolled in its plans. The Plan is a single employer defined benefit OPEB plan administered by the District. Under Chapter 509A.13 of the Code of Iowa, “Group Insurance for Public Employees,” If a governing body has procured insurance for its employees, the governing body shall allow its employees who retired before the age of sixty-five years of age to continue participation in the group plan at the employee’s own expense until the employee attains sixty-five years of age. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75.

Benefits provided: The Plan provides medical and prescription drug benefits for retirees and their spouses. 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 River Valley. Retirees under 65 pay the same premium for the medical/prescription drug benefit as active employees.

The full monthly premium rates as of January 1, 2019 for each plan are as shown below:

| Rate Tier | \$250 PPO | \$500 PPO | HDHP     |
|-----------|-----------|-----------|----------|
| Single    | \$ 9,839  | \$ 9,269  | \$ 7,484 |
| Spouse    | 8,788     | 8,271     | 6,652    |

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2020**

**Note 6. Postemployment Benefits Other Than Pensions (OPEB) (Continued)**

Employees covered by benefit terms: At June 30, 2020, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 24         |
| Inactive employees entitled to but not yet receiving benefit payments    | -          |
| Active employees   | 791        |
|  | <u>815</u> |

**Total OPEB Liability**

The District's total OPEB liability of \$12,748,059 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

|  |                                 |
|--|---------------------------------|
|  | <u>Total OPEB<br/>Liability</u> |
| Balance at July 1, 2019                            | \$ 11,876,947                   |
| Changes for the year:                              |                                 |
| Service cost                                       | 1,055,742                       |
| Interest   | 326,379                         |
| Changes of benefit terms                           | -                               |
| Differences between expected and actual experience | (304,474)                       |
| Changes in assumptions or other inputs             | 48,935                          |
| Benefit payments                                   | (357,516)                       |
| Other changes                                      | 102,046                         |
| Net changes  | <u>871,112</u>                  |
| Balance at June 30, 2020                           | <u>\$ 12,748,059</u>            |

Actuarial assumptions and other inputs: The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

|  |  |
|--|--|
| Inflation                                | 2.50% per annum  |
| Salary increases                         | 4.00% per annum  |
| Discount rate                            | 2.66% per annum  |
| Retirees' share of benefit-related costs | 100%   |
| Health care cost trend rate              | \$250 PPO Plan & \$500 PPO Plan - 7.00%<br>High deductible Health Plan - 7.00%<br>Ultimate Health Care Cost Trend Rate - 4.50% |

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index. Mortality rates were based on the RP-2014 generational table scaled using MP-17 and applied on a gender-specific basis. The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period 2010– 2019.

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2020**

**Note 6. Postemployment Benefits Other Than Pensions (OPEB) (Continued)**

**Changes in the Total OPEB Liability**

Rates of retirement, withdrawal and disability were changed to those in the most recent Iowa Public Employees' Retirement System Pension Fund actuarial valuation report. Changes of assumptions or other inputs reflect a change in the discount rate from 2.79% per annum in 2019 to 2.66% per annum in 2020.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

|                      | 1% Decrease<br>(1.66%) | Discount Rate<br>(2.66%) | 1% Increase<br>(3.66%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB liability | \$ 13,764,622          | \$ 12,748,059            | \$ 11,804,851          |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1-percentage point higher than the current healthcare cost trend rates.

|                      | 1% Decrease<br>(6.00% decreasing to 4.50%) | Healthcare Cost<br>Trend Rates<br>(7.00% decreasing to 4.50%) | 1% Increase<br>(8.00% decreasing to 4.50%) |
|----------------------|--|---|--|
| Total OPEB liability | \$ 11,351,136                              | \$ 12,748,059   | \$ 14,405,070                              |

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,376,945. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience      | \$ -                              | \$ (270,004)                     |
| Changes of assumptions or other inputs                  | 538,316                           | (277,246)                        |
| Net difference between projected and actual investments | -                                 | -                                |
| <b>Total</b>  | <b>\$ 538,316</b>                 | <b>\$ (547,250)</b>              |

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2020**

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**Note \* " Postemployment Benefits Other Than Pensions (OPEB) (Continued)**

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

Year ended June 30:

|            |    |                |
|------------|----|----------------|
| 2021       | \$ | (5,176)        |
| 2022       |    | (5,176)        |
| 2023       |    | (5,176)        |
| 2024       |    | (5,176)        |
| 2025       |    | (5,176)        |
| Thereafter |    | 16,946         |
|            | \$ | <u>(8,934)</u> |

**Note 7. 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](http://www.ipers.org).

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

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2020**

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**Note +. Pension and Retirement Benefits (Continued)**

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

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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 2020, pursuant to the required rate, Regular members contributed 6.29 percent of covered payroll and the District contributed 9.44 percent of covered payroll, for a total rate of 15.73 percent.

The District’s contributions to IPERS for the year ended June 30, 2020 were \$3,325,262.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the District reported a liability of \$26,735,971 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2019, the District’s proportion was 0.461709 percent, which was a decrease of 0.006169 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$4,821,372.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ 74,120                         | \$ 961,286                       |
| Changes of assumptions   | 2,863,805                         | -                                |
| Net difference between projected and actual earnings<br>on pension plan investments                              | -                                 | 3,012,822                        |
| Changes in proportion and differences between District<br>contributions and proportionate share of contributions | -                                 | 1,045,339                        |
| District contributions subsequent to the measurement date  | 3,325,262                         | -                                |
| Total  | <u>\$ 6,263,187</u>               | <u>\$ 5,019,447</u>              |

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2020**

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**Note 7. Pension and Retirement Benefits (Continued)**

\$3,325,262 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, 2021.

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

| Year Ended June 30, |                       |
|---------------------|-----------------------|
| 2021                | \$ 231,191            |
| 2022                | (941,660)             |
| 2023                | (666,701)             |
| 2024                | (600,817)             |
| 2025                | (103,535)             |
| Total               | <u>\$ (2,081,522)</u> |

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

|  |  |
|--|--|
| Rate of Inflation<br>(effective June 30, 2017)                   | 2.60 percent per annum   |
| Salary Increases<br>(effective June 30, 2017)                    | 3.25 percent to 16.25 percent, average, including inflation. Rates vary by membership group. |
| Long-term Investment rate of return<br>(effective June 30, 2017) | 7.00 percent, compounded annually, net of investment expense, including inflation.           |
| Wage growth<br>(effective June 30, 2017)                         | 3.25 percent per annum, based on 2.60 percent inflation and 0.65 percent real wage inflation |

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018. Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on 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.

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2020**

**Note +. 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 |
|--------------------------|------------------|--|
| Domestic equity          | 22.0%            | 5.60%                                  |
| International equity     | 15.0%            | 6.08%                                  |
| Global smart beta equity | 3.0%             | 5.82%                                  |
| Core plus fixed income   | 27.0%            | 1.71%                                  |
| Public credit            | 3.5%             | 3.32%                                  |
| Public real assets       | 7.0%             | 2.81%                                  |
| Cash                     | 1.0%             | -0.21%                                 |
| Private equity           | 11.0%            | 10.13%                                 |
| Private real assets      | 7.5%             | 4.76%                                  |
| Private credit           | 3.0%             | 3.01%                                  |
| <b>Total</b>             | 100%             |  |

Discount Rate – The discount rate used to measure the total pension liability was 7.0 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 7.0 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 (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate.

|   | 1%<br>Decrease<br>(6.0%) | Discount<br>Rate<br>(7.0%) | 1%<br>Increase<br>(8.0%) |
|---|--------------------------|----------------------------|--------------------------|
| District's proportionate share of the net pension liability | \$ 47,474,454            | \$ 26,735,971              | \$ 9,340,760             |

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

Payables to the Pension Plan – At June 30, 2020, the District reported payables to the defined benefit pension plan of \$286,377 for legally required employer contributions and \$190,816 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

## Muscatine Community School District

### Notes to Basic Financial Statements Year Ended June 30, 2020

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#### Note , . 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 - . 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 \$2,234,604 for the year ended June 30, 2020 and is recorded in the General Fund.

#### Note %\$. Categorical Funding

The District's fund balance restricted for categorical funding as of June 30, 2020 is comprised of the following programs:

| Program                                    | Amount            |
|--|-------------------|
| Home school assistance program             | \$ 48,628         |
| Teacher leadership and compensation system | 82,644            |
| Teacher salary supplement                  | 11,803            |
| Successful progression for early readers   | 49,344            |
| Teacher development                        | 9,983             |
| Professional development                   | 151,694           |
| Special education birth to three           | 386               |
| Four-year-old preschool                    | 16,367            |
| Gifted and talented                        | 60,453            |
| <b>Total</b>                               | <b>\$ 431,302</b> |

#### Note 1% Commitments

The District has entered into contracts totaling \$9,303,309 for various building renovations. As of June 30, 2020, costs of \$8,615,180 had been incurred against the contracts. The balance of \$688,129 remaining as of June 30, 2020 will be paid as work on the projects progress.

#### Note 1& 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.

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.

## Muscatine Community School District

### Notes to Basic Financial Statements Year Ended June 30, 2020

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#### Note 13. 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, 2020 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 | \$ 571,951           |
| Muscatine County        | Urban renewal and economic development projects | 43,786               |

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2020, this reimbursement amounted to \$308,496.

#### Note 14. Governmental Accounting Standards Board (GASB) Statements

The District adopted the following statements during the year ended June 30, 2020:

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued May 2020, the provisions of this statement was effective immediately upon issuance. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statements Nos. 83, 84, 88, 89, 90, 91, 92 and 93, and Implementation Guide Nos. 2018-1, 2019-1, and 2019-2. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87 and Implementation Guide No. 2019-3.

As of June 30, 2020, 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. 84, *Fiduciary Activities*, issued January 2017, will be effective for the District beginning with its fiscal year ending June 30, 2021. 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.

## Muscatine Community School District

### Notes to Basic Financial Statements Year Ended June 30, 2020

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#### **Note 14. Governmental Accounting Standards Board (GASB) Statements (Continued)**

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the District beginning with its fiscal year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize 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, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 89, *Accounting for Interest Cost before the End of a Construction Period*, issued June 2018, will be effective for the District beginning with its fiscal year ending June 30, 2022. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or an enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

GASB Statement No. 90, *Majority Equity Interest-An Amendment of GASB Statement No. 14 and No. 61*, issued August 2018, will be effective for the District beginning with its fiscal year ending June 30, 2021. The primary objectives of this Statement are to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies the reporting of a majority equity interest. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities and deferred inflows of resources at acquisition value at the date the government acquired the 100 percent equity interest in the component unit.

GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2020, will be effective for the District beginning with its fiscal year ending June 30, 2023. This Statement clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements association with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

## Muscatine Community School District

### Notes to Basic Financial Statements Year Ended June 30, 2020

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#### Note 1(. Governmental Accounting Standards Board (GASB) Statements (Continued))

GASB Statement No. 92, *Omnibus 2020*, issued January 2020, will be effective for the District beginning with its fiscal year ending June 30, 2022 except for the requirements related to the effective date of Statement No. 87 and Implementation Guide 2020-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including leases, intra-entity transfers, assets accumulated for postemployment benefits, applicability of Statement No. 84 to postemployment benefit arrangements, measurement of liabilities related to asset retirement obligations in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, nonrecurring fair value measurements of assets or liabilities, and terminology to refer to derivative instruments.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020, will be effective for the District beginning with its fiscal year ending June 30, 2022. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This statement provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variably payment, clarifies the hedge accounting termination provisions when a hedge item is amended to replace the reference rate, clarifies the uncertainty related to the continued availability of IBORS, removes LIBOR as an appropriate benchmark interest rate for qualitative evaluation, identifies a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap, and clarifies the definition of reference rate, as it is used in Statement 53, as amended.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020, will be effective for the District beginning with its fiscal year ending June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, will be effective for the District beginning will its fiscal year ending June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription assets- an intangible asset- and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and 4) requires note disclosures regarding a SBITA.

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2020**

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**Note 1). Governmental Accounting Standards Board (GASB) Statements (Continued)**

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans- an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, issued June 2020, will be effective for the District beginning with its fiscal year ending June 30, 2022. The primary objective of this Statement are to 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and 3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

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

**Note 1). Subsequent Event**

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the District, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact on the District's operations and finances.

**Muscatine Community School District**

**Required Supplementary Information  
Schedule of Changes in the District's Total OPEB  
Liability and Related Ratios  
Last Three Fiscal Years**

|   | 2020                 | 2019                 | 2018                 |
|---|----------------------|----------------------|----------------------|
| Total OPEB liability  |                      |                      |                      |
| Changes for the year:   |                      |                      |                      |
| Service cost  | \$ 1,055,742         | \$ 963,578           | \$ 895,100           |
| Interest  | 326,379              | 316,093              | 295,308              |
| Changes of benefit terms  | -                    | -                    | -                    |
| Differences between expected and actual experience                      | (304,474)            | -                    | -                    |
| Changes in assumptions or other inputs                                  | 48,935               | 166,039              | 111,193              |
| Benefit payments  | (357,516)            | (387,137)            | (529,164)            |
| Other changes   | 102,046              | 17,642               | (145,967)            |
| Net changes in total OPEB liability                                     | <u>871,112</u>       | <u>1,076,215</u>     | <u>626,470</u>       |
| Total OPEB liability - beginning  | <u>11,876,947</u>    | <u>10,800,732</u>    | <u>10,174,262</u>    |
| Total OPEB liability - ending   | <u>\$ 12,748,059</u> | <u>\$ 11,876,947</u> | <u>\$ 10,800,732</u> |
| <br>Covered employee payroll  | <br>\$ 30,714,996    | <br>\$ 31,689,758    | <br>\$ 31,689,758    |
| <br>Total OPEB liability as a percentage of covered<br>employee payroll | <br>42%              | <br>34%              | <br>34%              |

**Notes to Schedule:**

Changes of benefit terms:

There were no changes as a result of changes in benefit terms.

Changes of assumption:

Changes of assumptions or other inputs reflect a change in the discount rate. The following are the discount rates used in each period:

|       |       |       |
|-------|-------|-------|
| 2.66% | 2.79% | 2.98% |
|-------|-------|-------|

In Fiscal Year 2020, the rates of retirement, withdrawal, and disability were changed to those found in the Iowa Public Employees' Retirement System Actuarial Valuation Report as of June 30, 2019.

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

Note: The schedule is intended to present information for ten years. Information prior to 2018 is not available.

**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, 2020**

|   | Governmental<br>Funds - Actual | Enterprise<br>Fund - Actual |
|---|--------------------------------|-----------------------------|
| Revenues:   |                                |                             |
| Local sources   | \$ 21,722,311                  | \$ 480,915                  |
| State sources   | 42,025,483                     | 19,446                      |
| Federal sources   | 1,886,347                      | 1,823,303                   |
| <b>Total revenues</b>   | <u>65,634,141</u>              | <u>2,323,664</u>            |
| Expenditures/expenses:  |                                |                             |
| Instruction   | 39,639,483                     | -                           |
| Support services  | 18,859,948                     | -                           |
| Noninstructional programs   | 46,318                         | 2,758,212                   |
| Other expenditures  | 17,749,408                     | -                           |
| <b>Total expenditures/expenses</b>                                | <u>76,295,157</u>              | <u>2,758,212</u>            |
| <b>(Deficiency) of revenues (under)<br/>expenditures/expenses</b> | <u>(10,661,016)</u>            | <u>(434,548)</u>            |
| Other financing sources (uses):                                   |                                |                             |
| Transfers, net  | 5,602                          | (5,602)                     |
| Proceeds from sale of capital assets                              | 441,898                        | -                           |
| Lease purchase agreement  | 1,377,222                      | -                           |
| <b>Total other financing sources (uses)</b>                       | <u>1,824,722</u>               | <u>(5,602)</u>              |
| <b>Net change in fund balance</b>                                 | (8,836,294)                    | (440,150)                   |
| Fund balance/net position, beginning of year                      | 25,553,458                     | (69,376)                    |
| Fund balance/net position, end of year                            | <u>\$ 16,717,164</u>           | <u>\$ (509,526)</u>         |

See Notes to Required Supplementary Information.

| Total Actual         | Budgeted Amounts   |                    | Final to Actual<br>Variance |
|----------------------|--------------------|--------------------|-----------------------------|
|                      | Original           | Final              |                             |
| \$ 22,203,226        | \$ 21,461,452      | \$ 21,461,452      | \$ 741,774                  |
| 42,044,929           | 42,074,405         | 42,074,405         | (29,476)                    |
| 3,709,650            | 4,140,209          | 4,140,209          | (430,559)                   |
| <u>67,957,805</u>    | <u>67,676,066</u>  | <u>67,676,066</u>  | <u>281,739</u>              |
| 39,639,483           | 39,394,853         | 39,394,853         | (244,630)                   |
| 18,859,948           | 17,859,108         | 17,859,108         | (1,000,840)                 |
| 2,804,530            | 2,768,611          | 2,768,611          | (35,919)                    |
| 17,749,408           | 12,903,655         | 12,903,655         | (4,845,753)                 |
| <u>79,053,369</u>    | <u>72,926,227</u>  | <u>72,926,227</u>  | <u>(6,127,142)</u>          |
| <u>(11,095,564)</u>  | <u>(5,250,161)</u> | <u>(5,250,161)</u> | <u>(5,845,403)</u>          |
| -                    | -                  | -                  | -                           |
| 441,898              | 7,500              | 7,500              | 434,398                     |
| 1,377,222            | -                  | -                  | 1,377,222                   |
| <u>441,898</u>       | <u>7,500</u>       | <u>7,500</u>       | <u>434,398</u>              |
| (9,276,444)          | \$ (5,242,661)     | \$ (5,242,661)     | \$ (4,033,783)              |
| <u>25,484,082</u>    |                    |                    |                             |
| <u>\$ 16,207,638</u> |                    |                    |                             |

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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 Six Fiscal Years**

|  | 2020*         | 2019*         | 2018*         | 2017*         | 2016*         | 2015*         |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net pension liability   | 0.461709%     | 0.467878%     | 0.473695%     | 0.481257%     | 0.494997%     | 0.503636%     |
| District's proportionate share of the net pension liability  | \$ 26,735,971 | \$ 29,608,449 | \$ 31,544,108 | \$ 30,287,033 | \$ 24,455,266 | \$ 19,973,711 |
| District's covered payroll   | \$ 35,137,791 | \$ 35,169,191 | \$ 35,364,277 | \$ 34,536,797 | \$ 33,911,814 | \$ 32,956,000 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 76.09%        | 84.19%        | 89.20%        | 87.69%        | 72.11%        | 60.61%        |
| Plan fiduciary net pension as a percentage of the total pension liability                          | 85.45%        | 83.62%        | 82.21%        | 81.82%        | 85.19%        | 87.61%        |

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

Note: The schedule is intended to present information for ten years. Information prior to 2015 is not available.

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**

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|   | 2020       | 2019       | 2018       | 2017       |
|---|------------|------------|------------|------------|
| Statutorily required contribution                                     | \$ 3,325   | \$ 3,317   | \$ 3,141   | \$ 3,158   |
| Contributions in relation to the<br>statutorily required contribution | \$ (3,325) | \$ (3,317) | \$ (3,141) | \$ (3,158) |
| Contribution deficiency (excess)                                      | \$ -       | \$ -       | \$ -       | \$ -       |
| District's covered payroll  | \$ 35,225  | \$ 35,138  | \$ 35,169  | \$ 35,364  |
| Contributions as a percentage of<br>covered payroll                   | 9.44%      | 9.44%      | 8.93%      | 8.93%      |

See Notes to Required Supplementary Information.

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|    | 2016    |    | 2015    |    | 2014    |    | 2013    |    | 2012    |    | 2011    |
|----|---------|----|---------|----|---------|----|---------|----|---------|----|---------|
| \$ | 3,084   | \$ | 3,028   | \$ | 2,943   | \$ | 2,784   | \$ | 2,602   | \$ | 2,081   |
| \$ | (3,084) | \$ | (3,028) | \$ | (2,943) | \$ | (2,784) | \$ | (2,602) | \$ | (2,081) |
| \$ | -       | \$ | -       | \$ | -       | \$ | -       | \$ | -       | \$ | -       |
| \$ | 34,537  | \$ | 33,912  | \$ | 32,956  | \$ | 32,111  | \$ | 32,243  | \$ | 29,942  |
|    | 8.93%   |    | 8.93%   |    | 8.93%   |    | 8.67%   |    | 8.07%   |    | 6.95%   |

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## Muscatine Community School District

### Notes to Required Supplementary Information

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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. There were no amendments to the original budget during the year.

The District exceeded the budgeted expenditures of the instruction, support services, noninstructional programs and other expenditures functions.

#### Note 2. Iowa Public Employees' Retirement System Pension Liability

There are no significant changes in benefit terms.

##### Changes of assumptions:

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

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

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

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

## Muscatine Community School District

### Notes to Required Supplementary Information

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#### **Note 2. Iowa Public Employees' Retirement System Pension Liability (Continued)**

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.

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**Muscatine Community School District**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2020**

|   | Special Revenue     |                     |                  |                     |
|---|---------------------|---------------------|------------------|---------------------|
|   | Management<br>Levy  | Student<br>Activity | Support<br>Trust | Total               |
| <b>Assets</b>   |                     |                     |                  |                     |
| Cash and pooled investments   | \$ 1,874,806        | \$ 283,334          | \$ 31,318        | \$ 2,189,458        |
| Receivables:  |                     |                     |                  |                     |
| Property tax:   |                     |                     |                  |                     |
| Current year  | 50,414              | -                   | -                | 50,414              |
| Succeeding year   | 1,500,000           | -                   | -                | 1,500,000           |
| Accounts  | 22,150              | 29,458              | -                | 51,608              |
| Due from other governments  | 143                 | -                   | -                | 143                 |
| <b>Total assets</b>   | <b>\$ 3,447,513</b> | <b>\$ 312,792</b>   | <b>\$ 31,318</b> | <b>\$ 3,791,623</b> |
| <b>Liabilities, Deferred Inflows<br/>of Resources, and<br/>Fund Balances</b>          |                     |                     |                  |                     |
| Liabilities:  |                     |                     |                  |                     |
| Accounts payable  | \$ 7,800            | \$ 35,415           | \$ -             | \$ 43,215           |
| <b>Total liabilities</b>  | <b>7,800</b>        | <b>35,415</b>       | <b>-</b>         | <b>43,215</b>       |
| Deferred inflows of resources,<br>Unavailable revenue-succeeding<br>year property tax | 1,500,000           | -                   | -                | 1,500,000           |
| Fund balance:   |                     |                     |                  |                     |
| Restricted  | 1,939,713           | 277,377             | 31,318           | 2,248,408           |
| <b>Total fund balances</b>  | <b>1,939,713</b>    | <b>277,377</b>      | <b>31,318</b>    | <b>2,248,408</b>    |
| <b>Total liabilities, deferred<br/>inflows of resources and<br/>fund balances</b>     | <b>\$ 3,447,513</b> | <b>\$ 312,792</b>   | <b>\$ 31,318</b> | <b>\$ 3,791,623</b> |

**Muscatine Community School District**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2020**

|  | Special Revenue    |                     |                  | Total            |
|--|--------------------|---------------------|------------------|------------------|
|  | Management<br>Levy | Student<br>Activity | Support<br>Trust |                  |
| Revenues:                                      |                    |                     |                  |                  |
| Local sources:                                 |                    |                     |                  |                  |
| Local tax                                      | \$ 1,528,111       | \$ -                | \$ -             | \$ 1,528,111     |
| Interest                                       | 18,448             | 3,975               | -                | 22,423           |
| Other  | 49,656             | 448,106             | -                | 497,762          |
| State sources                                  | 52,954             | -                   | -                | 52,954           |
| <b>Total revenues</b>                          | <b>1,649,169</b>   | <b>452,081</b>      | <b>-</b>         | <b>2,101,250</b> |
| Expenditures:                                  |                    |                     |                  |                  |
| Current:                                       |                    |                     |                  |                  |
| Instruction                                    | 566,239            | 401,307             | 270              | 967,816          |
| Support services:                              |                    |                     |                  |                  |
| Student services                               | 5,940              | -                   | -                | 5,940            |
| Instructional services                         | 5,303              | -                   | -                | 5,303            |
| Administration services                        | 137,689            | -                   | -                | 137,689          |
| Operation and maintenance<br>of plant services | 363,771            | -                   | -                | 363,771          |
| Transportation services                        | 97,797             | 2,144               | -                | 99,941           |
| Noninstructional programs                      | 46,318             | -                   | -                | 46,318           |
| <b>Total expenditures</b>                      | <b>1,223,057</b>   | <b>403,451</b>      | <b>270</b>       | <b>1,626,778</b> |
| <b>Net change in fund balances</b>             | <b>426,112</b>     | <b>48,630</b>       | <b>(270)</b>     | <b>474,472</b>   |
| Fund balances, beginning of year               | 1,513,601          | 228,747             | 31,588           | 1,773,936        |
| Fund balances, end of year                     | \$ 1,939,713       | \$ 277,377          | \$ 31,318        | \$ 2,248,408     |

**Muscatine Community School District**

**Schedule of Combining Balance Sheet  
Capital Project Fund - By Account  
June 30, 2020**

|  | Capital Projects Accounts                   |  |                     |
|--|---|--|---------------------|
|  | Statewide<br>Sales, Services<br>and Use Tax | Physical<br>Plant and<br>Equipment<br>Levy | Total               |
| <b>Assets</b>  |   |  |                     |
| Cash and pooled investments  | \$ 2,987,100                                | \$ 1,439,154                               | \$ 4,426,254        |
| Receivables:   |   |  |                     |
| Property tax:  |   |  |                     |
| Current year   | -   | 78,342                                     | 78,342              |
| Succeeding year  | -   | 2,371,295                                  | 2,371,295           |
| Due from other governments   | 686,396                                     | 208  | 686,604             |
| <b>Total assets</b>  | <b>\$ 3,673,496</b>                         | <b>\$ 3,888,999</b>                        | <b>\$ 7,562,495</b> |
| <b>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances</b> |   |  |                     |
| Liabilities:   |   |  |                     |
| Accounts payable   | \$ 1,595,315                                | \$ 3,757                                   | \$ 1,599,072        |
| <b>Total liabilities</b>   | <b>1,595,315</b>                            | <b>3,757</b>                               | <b>1,599,072</b>    |
| <b>Deferred Inflows of Resources:</b>                                    |   |  |                     |
| Unavailable revenue-succeeding year property tax                         | -   | 2,371,295                                  | 2,371,295           |
| Unavailable revenue-statewide sales and services tax                     | 259,217                                     | -  | 259,217             |
| <b>Total deferred inflows of resources</b>                               | <b>259,217</b>                              | <b>2,371,295</b>                           | <b>2,630,512</b>    |
| Fund Balances:   |   |  |                     |
| Restricted for:  |   |  |                     |
| Physical plant and equipment   | -   | 1,513,947                                  | 1,513,947           |
| School infrastructure  | 1,818,964                                   | -  | 1,818,964           |
| <b>Total fund balances</b>   | <b>1,818,964</b>                            | <b>1,513,947</b>                           | <b>3,332,911</b>    |
| <b>Total liabilities and fund balances</b>                               | <b>\$ 3,673,496</b>                         | <b>\$ 3,888,999</b>                        | <b>\$ 7,562,495</b> |

**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, 2020**

|  | Capital Projects Accounts                   |  |                    |
|--|---|--|--------------------|
|  | Statewide<br>Sales, Services<br>and Use Tax | Physical<br>Plant and<br>Equipment<br>Levy | Total              |
| Revenues:  |   |  |                    |
| Local sources:   |   |  |                    |
| Local tax  | \$ -  | \$ 2,346,486                               | \$ 2,346,486       |
| Private donations  | 1,025,000                                   | -  | 1,025,000          |
| Interest   | 74,496                                      | 5,275                                      | 79,771             |
| State sources  | 5,072,669                                   | 80,240                                     | 5,152,909          |
| <b>Total revenues</b>                                    | <b>6,172,165</b>                            | <b>2,432,001</b>                           | <b>8,604,166</b>   |
| Expenditures:  |   |  |                    |
| Current:   |   |  |                    |
| Instruction  | 3,941                                       | 1,432,777                                  | 1,436,718          |
| Support services:  |   |  |                    |
| Instructional staff services                             | -   | 13,001                                     | 13,001             |
| Administration services                                  | 10,584                                      | 316,275                                    | 326,859            |
| Operation and maintenance of plant services              | 36,709                                      | 204,591                                    | 241,300            |
| Transportation services                                  | -   | 570,874                                    | 570,874            |
| Capital outlay, facilities acquisition                   | 14,343,572                                  | 699,114                                    | 15,042,686         |
| Debt service, principal                                  | -   | 472,118                                    | 472,118            |
| <b>Total expenditures</b>                                | <b>14,394,806</b>                           | <b>3,708,750</b>                           | <b>18,103,556</b>  |
| <b>(Deficiency) of revenues<br/>(under) expenditures</b> | <b>(8,222,641)</b>                          | <b>(1,276,749)</b>                         | <b>(9,499,390)</b> |
| Other financing sources:                                 |   |  |                    |
| Proceeds from sale of capital assets                     | -   | 440,873                                    | 440,873            |
| Lease purchase agreement                                 | -   | 1,377,222                                  | 1,377,222          |
| <b>Total other financing sources</b>                     | <b>-</b>                                    | <b>1,818,095</b>                           | <b>1,818,095</b>   |
| <b>Net change in fund balance</b>                        | <b>(8,222,641)</b>                          | <b>541,346</b>                             | <b>(7,681,295)</b> |
| Fund balance, beginning of year                          | 10,041,605                                  | 972,601                                    | 11,014,206         |
| Fund balance, end of year                                | \$ 1,818,964                                | \$ 1,513,947                               | \$ 3,332,911       |

**Muscatine Community School District**

**Schedule of Combining Statement of Fiduciary Net Position  
Private Purpose Trust Fund - By Account  
June 30, 2020**

|                             | Private Purpose Trust Accounts                |                                  |  |                |
|-----------------------------|---|----------------------------------|--|----------------|
|                             | Bernadette and<br>Paul Rohling<br>Scholarship | Illeen<br>Rohling<br>Scholarship | Jefferson<br>Culture Fair<br>Scholarship | Total          |
| <b>Assets:</b>              |   |                                  |  |                |
| Cash and investments        | \$ 101,651                                    | \$ 36,397                        | \$ 1,301                                 | \$ 139,349     |
| <b>Total assets</b>         | <b>101,651</b>                                | <b>36,397</b>                    | <b>1,301</b>                             | <b>139,349</b> |
| <b>Liabilities:</b>         |   |                                  |  |                |
| Accounts payable            | 1,000   | -                                | -  | 1,000          |
| <b>Total liabilities</b>    | <b>1,000</b>                                  | <b>-</b>                         | <b>-</b>                                 | <b>1,000</b>   |
| <b>Net Position</b>         |   |                                  |  |                |
| Restricted for scholarships | \$ 100,651                                    | \$ 36,397                        | \$ 1,301                                 | \$ 138,349     |

**Muscatine Community School District**

**Schedule of Combining Statement of Changes in Fiduciary Net Position  
Private Purpose Trust Fund - By Account  
Year Ended June 30, 2020**

|                                   | Private Purpose Trust Accounts          |                            |                                    |                |
|-----------------------------------|---|----------------------------|------------------------------------|----------------|
|                                   | Bernadette and Paul Rohling Scholarship | Illeen Rohling Scholarship | Jefferson Culture Fair Scholarship | Total          |
| <b>Additions:</b>                 |   |                            |                                    |                |
| Local sources, other:             |   |                            |                                    |                |
| Net investment income             | \$ 5,320                                | \$ 163                     | \$ -                               | \$ 5,483       |
| <b>Total additions</b>            | <b>5,320</b>                            | <b>163</b>                 | <b>-</b>                           | <b>5,483</b>   |
| <b>Deductions, current,</b>       |   |                            |                                    |                |
| Instruction, scholarships awarded | 7,534                                   | 3,000                      | -                                  | 10,534         |
| <b>Change in net position</b>     | <b>(2,214)</b>                          | <b>(2,837)</b>             | <b>-</b>                           | <b>(5,051)</b> |
| Net position, beginning of year   | 102,865                                 | 39,234                     | 1,301                              | 143,400        |
| Net position, end of year         | \$ 100,651                              | \$ 36,397                  | \$ 1,301                           | \$ 138,349     |

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**Muscatine Community School District**

**Schedule of Changes in Fiduciary Assets and Liabilities**

**Agency Fund**

**Year Ended June 30, 2020**

|                                | Balance<br>Beginning<br>of Year | Additions           | Deductions          | Balance<br>End<br>of Year |
|--------------------------------|---------------------------------|---------------------|---------------------|---------------------------|
| <b>Insurance Agency Fund</b>   |                                 |                     |                     |                           |
| <b>Assets</b>                  |                                 |                     |                     |                           |
| Cash and pooled investments    | \$ 7,382                        | \$ 1,285,879        | \$ 1,281,106        | \$ 12,155                 |
| <b>Liabilities</b>             |                                 |                     |                     |                           |
| Due to other groups            | \$ 7,382                        | \$ 1,285,879        | \$ 1,281,106        | \$ 12,155                 |
| <b>ECIMC Fiscal Agent Fund</b> |                                 |                     |                     |                           |
| <b>Assets</b>                  |                                 |                     |                     |                           |
| Cash and pooled investments    | \$ -                            | \$ 787,140          | \$ 706,180          | \$ 80,960                 |
| <b>Liabilities</b>             |                                 |                     |                     |                           |
| Accounts payable               | \$ -                            | \$ 278,465          | \$ 247,215          | \$ 31,250                 |
| Other current liabilities      | -                               | 356,069             | 306,359             | 49,710                    |
| <b>Total liabilities</b>       | <b>\$ -</b>                     | <b>\$ 634,534</b>   | <b>\$ 553,574</b>   | <b>\$ 80,960</b>          |
| <b>Total</b>                   |                                 |                     |                     |                           |
| <b>Assets</b>                  |                                 |                     |                     |                           |
| Cash and pooled investments    | \$ 7,382                        | \$ 2,073,019        | \$ 1,987,286        | \$ 93,115                 |
| <b>Liabilities</b>             |                                 |                     |                     |                           |
| Accounts payable               | \$ -                            | \$ 278,465          | \$ 247,215          | \$ 31,250                 |
| Other current liabilities      | -                               | 356,069             | 306,359             | 49,710                    |
| Due to other groups            | 7,382                           | 1,285,879           | 1,281,106           | 12,155                    |
| <b>Total liabilities</b>       | <b>\$ 7,382</b>                 | <b>\$ 1,920,413</b> | <b>\$ 1,834,680</b> | <b>\$ 93,115</b>          |

**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: |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 2020                 | 2019                 | 2018                 | 2017                 |
| Revenues:                                      |                      |                      |                      |                      |
| Local sources:                                 |                      |                      |                      |                      |
| Local tax                                      | \$ 18,924,223        | \$ 19,843,188        | \$ 19,478,972        | \$ 19,791,734        |
| Tuition  | 622,077              | 503,304              | 533,893              | 632,257              |
| Other  | 2,176,011            | 1,529,784            | 1,394,914            | 1,242,727            |
| State sources                                  | 42,025,483           | 41,480,237           | 41,575,834           | 42,429,101           |
| Federal sources                                | 1,886,347            | 2,325,347            | 2,151,907            | 2,261,820            |
| <b>Total revenues</b>                          | <b>\$ 65,634,141</b> | <b>\$ 65,681,860</b> | <b>\$ 65,135,520</b> | <b>\$ 66,357,639</b> |
| Expenditures:                                  |                      |                      |                      |                      |
| Instruction                                    | \$ 39,639,483        | \$ 39,501,315        | \$ 38,155,452        | \$ 39,889,517        |
| Support services:                              |                      |                      |                      |                      |
| Student services                               | 2,251,659            | 2,403,268            | 2,213,283            | 1,605,362            |
| Instructional staff services                   | 2,431,121            | 2,482,642            | 2,993,896            | 1,053,761            |
| Administration services                        | 6,673,957            | 6,516,189            | 6,437,236            | 7,172,972            |
| Operation and maintenance of<br>plant services | 5,569,627            | 5,737,353            | 5,259,618            | 5,172,014            |
| Transportation services                        | 1,933,584            | 2,483,398            | 1,545,824            | 1,966,010            |
| Noninstructional programs                      | 46,318               | 60,260               | 71,401               | 80,057               |
| Other expenditures:                            |                      |                      |                      |                      |
| Facilities acquisition                         | 15,042,686           | 4,324,155            | 3,515,809            | 3,666,962            |
| Long-term debt:                                |                      |                      |                      |                      |
| Principal                                      | 472,118              | -                    | -                    | -                    |
| Interest and fiscal charges                    | -                    | -                    | -                    | -                    |
| AEA flowthrough                                | 2,234,604            | 2,223,267            | 2,232,030            | 2,188,667            |
| <b>Total expenditures</b>                      | <b>\$ 76,295,157</b> | <b>\$ 65,731,847</b> | <b>\$ 62,424,549</b> | <b>\$ 62,795,322</b> |

| Years Ended June 30: |                      |                      |                      |                      |                      |  |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--|
| 2016                 | 2015                 | 2014                 | 2013                 | 2012                 | 2011                 |  |
| \$ 19,494,605        | \$ 18,628,986        | \$ 18,320,746        | \$ 22,530,785        | \$ 20,665,245        | \$ 19,333,468        |  |
| 453,670              | 530,347              | 583,016              | 621,193              | 789,295              | 678,551              |  |
| 1,237,625            | 1,317,747            | 1,412,458            | 1,486,224            | 1,627,100            | 2,116,315            |  |
| 42,794,193           | 42,383,472           | 38,595,124           | 32,010,126           | 32,853,112           | 31,615,441           |  |
| 2,040,564            | 2,430,675            | 2,441,180            | 2,120,614            | 3,043,064            | 2,973,055            |  |
| <u>\$ 66,020,657</u> | <u>\$ 65,291,227</u> | <u>\$ 61,352,524</u> | <u>\$ 58,768,942</u> | <u>\$ 58,977,816</u> | <u>\$ 56,716,830</u> |  |
|                      |                      |                      |                      |                      |                      |  |
| \$ 39,758,470        | \$ 37,509,233        | \$ 36,426,501        | \$ 36,254,296        | \$ 35,679,780        | \$ 34,300,836        |  |
| 1,551,908            | 1,642,590            | 1,641,603            | 1,646,917            | 1,543,182            | 1,413,771            |  |
| 1,065,752            | 1,523,383            | 1,378,893            | 1,281,373            | 3,366,854            | 1,406,839            |  |
| 6,339,083            | 6,456,225            | 6,340,544            | 6,119,304            | 7,537,234            | 6,507,777            |  |
| 4,889,562            | 4,928,889            | 5,355,512            | 5,010,283            | 4,869,282            | 4,492,882            |  |
| 1,765,709            | 1,912,098            | 1,841,780            | 1,750,580            | 1,685,575            | 1,454,728            |  |
| 74,045               | 62,880               | 181,691              | 11,404               | 14,007               | 20,834               |  |
| 2,208,369            | 9,609,011            | 5,030,721            | 7,081,218            | 3,690,720            | 1,724,782            |  |
| -                    | 607,138              | 596,507              | 610,484              | -                    | -                    |  |
| -                    | 10,829               | 21,460               | 31,900               | -                    | -                    |  |
| 2,227,592            | 2,207,805            | 2,100,120            | 2,010,185            | 1,998,046            | 2,205,295            |  |
| <u>\$ 59,880,490</u> | <u>\$ 66,470,081</u> | <u>\$ 60,915,332</u> | <u>\$ 61,807,944</u> | <u>\$ 60,384,680</u> | <u>\$ 53,527,744</u> |  |

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**Muscatine Community School District**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020**

| Federal Grantor/Pass-Through Grantor/<br>Program Title or Cluster Title   | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Passed<br>Through to<br>Subrecipients | Total<br>Federal<br>Expenditures |
|---|---------------------------|--|---------------------------------------|----------------------------------|
| <b>Indirect:</b>  |                           |  |                                       |                                  |
| <b>U.S. Department of Agriculture:</b>  |                           |  |                                       |                                  |
| Iowa Department of Education:   |                           |  |                                       |                                  |
| <i>Child Nutrition Cluster Program:</i>   |                           |  |                                       |                                  |
| School Breakfast Program  | 10.553                    | FY20 4552                                    | \$ -                                  | \$ 236,206                       |
| National School Lunch Program   | 10.555                    | FY20 4553                                    | -                                     | 903,305                          |
| USDA Child Nutrition Program CARES Grants<br>to States (COVID-19 SFSP)  | 10.555                    | FY20 4056                                    | -                                     | 366,834                          |
| Commodities -DOD (Noncash)  | 10.555                    | FY20   | -                                     | 120,000                          |
| Commodities (Noncash)   | 10.555                    | FY20   | -                                     | 104,286                          |
|   |                           |  | -                                     | 1,494,425                        |
| Child Nutrition Cluster Program Total   |                           |  | -                                     | 1,730,631                        |
| Fresh Fruit and Vegetable Program   | 10.582                    | FY20 4557                                    | -                                     | 92,747                           |
| <b>Total U.S. Department of Agriculture</b>   |                           |  | -                                     | 1,823,378                        |
| <b>U.S. Department of Education:</b>  |                           |  |                                       |                                  |
| Iowa Department of Education:   |                           |  |                                       |                                  |
| Title I Grants to Local Educational<br>Agencies   | 84.010                    | FY20 4501                                    | -                                     | 826,297                          |
| Title I Grants to Local Educational<br>Agencies   | 84.010                    | FY20 4508                                    | -                                     | 107,563                          |
| Title I Total   |                           |  | -                                     | 933,860                          |
| <i>Special Education IDEA Cluster,</i><br>Special Education - Grants to States<br>(IDEA, Part B)  | 84.027                    | FY20 4525                                    | -                                     | 100,658 (1)                      |
| Career and Technical Education-<br>Basic Grants to States   | 84.048                    | FY20 4531                                    | -                                     | 63,243                           |
| Special Education-State Personnel<br>Development Grants   | 84.323                    | FY20 4526                                    | -                                     | 5,000                            |
| Supporting Effective Instruction State Grants   | 84.367                    | FY20 4643                                    | -                                     | 173,674                          |
| Student Support and Academic Enrichment<br>Program (Title IV)   | 84.424                    | FY20 4669                                    | -                                     | 60,910                           |
| Education Stabilization Fund COVID-19 (ESSER)   | 84.425                    | FY20 4052                                    | -                                     | 36,392                           |
| Mississippi Bend Area Education Agency:<br><i>Special Education IDEA Cluster,</i><br>Special Education - Grants to States<br>(IDEA, Part B) | 84.027                    | FY20 4521                                    | -                                     | 240,592 (1)                      |
| English Language Acquisition State Grants   | 84.365                    | FY20 4644                                    | -                                     | 3,545                            |
| <b>Total U.S. Department of Education</b>   |                           |  | -                                     | 1,617,874                        |
| <b>U.S. Department of Health and Human Services:</b>  |                           |  |                                       |                                  |
| Iowa Department of Education:   |                           |  |                                       |                                  |
| Foster Care Title IV-E  | 93.658                    | FY20 4623                                    | -                                     | 1,279                            |
| <b>Total Expenditures of Federal Awards</b>   |                           |  | \$ -                                  | \$ 3,442,531                     |

(1) Total CFDA No. 84.027 \$341,250.

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, 2020

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#### **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, 2020. 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, 2020**

|  |   |                | Reason for Recurrence and<br>Corrective Action Plan or<br>Other Explanation                |
|--|---|----------------|--|
|  | Findings  | Status         |  |
| <b>Findings Related to Federal Programs:</b>                   |   |                |  |
| 2019-001   | The District did not meet the requirement for the paid lunch equity.  | Corrected.     |  |
| <b>Other Findings Related to Required Statutory Reporting:</b> |   |                |  |
| IV-A-19  | Expenditures exceeded the certified budget in the instruction, support services and noninstructional program functions. | Not corrected. | The District historically does not amend the budget. See corrective action plan at IV-A-20 |
| IV-G-19  | There were variances in certified enrollment.   | Not corrected. | Data changes were not known until after October 1. See corrective action plan at IV-G-20   |
| IV-H-19  | There were variances in supplementary weighting.  | Not corrected. | Data changes were not known until after October 1. See corrective action plan at IV-G-20   |



**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, 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, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated (ReportDate).

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## **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.

SIGNATURE

Moline, Illinois  
(ReportDate)

**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, 2020. 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, 2020.

## 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

SIGNATURE

Moline, Illinois  
(ReportDate)

**Muscatine Community School District**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020**

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**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                                  |
|----------------------------------|---|
| Child Nutrition Cluster Program: |   |
| 10.553                           | School Breakfast Program  |
| 10.555                           | National School Lunch Program                                       |
| 10.555                           | Commodities-DOD (Noncash)   |
| 10.555                           | Commodities (Noncash)   |
| 10.555                           | USDA Child Nutrition Program CARES Grants to States (COVID-19 SFSP) |

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

Auditee qualified as low-risk auditee?  Yes  No

(Continued)

**Muscatine Community School District**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020**

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**Part II: Findings Related to the Basic Financial Statements**

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

No matters were reported.

**Part III: Findings and Questioned Costs for Federal Awards**

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

No matters were reported.

**Part IV: Other Findings Related to Statutory Reporting**

**IV-A-20**

Certified Budget –

Finding: Expenditures for the year ended June 30, 2020 exceed the certified budget for the instruction, support services, noninstructional programs and other expenditures functions.

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

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

Conclusion: Response accepted.

**IV-B-20**

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. We did note the following finding:

Finding: The District did not obtain quotes for the cost of work of the MHS Handicap Parking Lot project from at least two contractors, which is required per Iowa Chapter 26.14 for school districts with populations of less than 50,000 and public improvement projects exceeding \$36,000 dollars but not exceeding the competitive bid threshold of \$100,000 (Iowa Chapter 26.3). The District also has a policy, policy 703.1, that requires the competitive bid process or obtain a competitive request for proposal (RFP) on any good or service exceeding \$25,000.

(Continued)

## Muscatine Community School District

### Schedule of Findings and Questioned Costs Year Ended June 30, 2020

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Recommendation: We recommend the District obtain competitive bids or RFPs for goods and services exceeding their policy threshold, and competitive quotes or bids for public improvement projects exceeding the thresholds provided in Iowa Chapters 26.14 and 26.3.

Response: The District will obtain competitive bids or RFPs based on the requirements set in place by the Board policy 703.1 and Iowa Code Chapters 26.14 and 26.3.

Conclusion: Response accepted.

#### **IV-C-20**

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-20**

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

#### **IV-E-20**

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-20**

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

#### **IV-G-20**

Certified Enrollment-

Finding: There were variances to the October 2019 certified enrollment submitted to the Iowa Department of Education.

Recommendation: We recommend the District review and verify enrollment data before the October 1<sup>st</sup> process.

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

Conclusion: Response accepted.

#### **IV-H-20**

Supplementary Weighting –

Finding: There were variances to the October 2019 supplementary weighting courses submitted to the Iowa Department of Education.

Recommendation: We recommend the District review and verify course data before the October 1<sup>st</sup> process.

(Continued)

**Muscatine Community School District**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020**

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

Conclusion: Response accepted.

**IV-I-20**

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.

**IV-J-20**

Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

**IV-K-20**

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

**IV-L-20**

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, 2020, the District reported the following information regarding the statewide sales and services tax revenue in the District’s CAR:

|   |                     |
|---|---------------------|
| Beginning balance                           | \$ 10,041,605       |
| Revenue / transfers in:                     |                     |
| Statewide sales and services tax revenue    | 5,072,669           |
| Interest and other                          | 1,099,496           |
| Expenditures/transfers out:                 |                     |
| Instruction                                 | 3,941               |
| Administration services                     | 10,584              |
| Operation and maintenance of plant services | 36,709              |
| School infrastructure:                      |                     |
| Buildings                                   | 14,343,572          |
| Ending balance                              | <u>\$ 1,818,964</u> |

For the year ended June 30, 2020, 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<br>of Taxable<br>Valuation | Property Tax<br>Dollars |
|-------------------|--|-------------------------|
| Debt service levy | \$ 3.61000                             | \$ 5,072,669            |



Muscatine Community School District  
 2900 Mulberry Ave  
 Muscatine, Iowa 52761

Phone:  
 (563) 263-7223

**Muscatine Community School District**

**Corrective Action Plan  
 Year Ended June 30, 2020**

| Current Number | Comment | Corrective Action Plan | Anticipated Date of Completion | Contact Person |
|----------------|---------|------------------------|--------------------------------|----------------|
|----------------|---------|------------------------|--------------------------------|----------------|

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

|         |   |  |                     |               |
|---------|---|--|---------------------|---------------|
| IV-A-20 | Expenditures exceeded the certified budget in the instruction, support services and noninstructional program functions. | See response and corrective action plan at IV-A-20 | Fiscal Year<br>2021 | Tom Anderson  |
| IV-B-20 | The District did not obtain quotes or a competitive request for proposal.   | See response and corrective action plan at IV-B-20 | Fiscal Year<br>2021 | Tom Anderson  |
| IV-G-20 | There were variances in certified enrollment.   | See response and corrective action plan at IV-G-20 | Fiscal Year<br>2021 | Gwen Sheridan |
| IV-H-20 | There were variances in supplementary weighting.  | See response and corrective action plan at IV-H-20 | Fiscal Year<br>2021 | Gwen Sheridan |

*Muscatine Schools will develop a community of successful learners and leaders.*