

**Muscatine Community School District  
Muscatine, Iowa**

Financial and Compliance Report  
Year Ended June 30, 2021



## Table of Contents

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### INTRODUCTORY SECTION

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Table of contents	i – ii
Officials	iii

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### FINANCIAL SECTION

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Independent auditor's report	1 – 3
Management's discussion and analysis	4 – 14
Basic financial statements:	
District-wide financial statements:	
Statement of net position	15
Statement of activities	16 – 17
Governmental fund financial statements:	
Balance sheet	18
Reconciliation of the balance sheet – governmental funds to the statement of net position	19
Statement of revenues, expenditures and changes in fund balances	20
Reconciliation of the statement of revenues, expenditures and changes in fund balances – governmental funds to the statement of activities	21
Proprietary fund financial statements:	
Statement of net position	22
Statement of revenues, expenses and changes in net position	23
Statement of cash flows	24
Fiduciary fund financial statements:	
Statement of fiduciary net position	25
Statement of changes in fiduciary net position	26
Notes to basic financial statements	27 – 48
Required supplementary information:	
Schedule of changes in the District's total Postemployment Benefits Other Than Pensions (OPEB) liability and related ratios	49
Budgetary comparison schedule of revenues, expenditures/expenses and changes in balances –budget and actual – all governmental funds and enterprise fund	50 – 51
Iowa Public Employees' Retirement System:	
Schedule of the District's proportionate share of the net pension liability	52 – 53
Schedule of District contributions	54 – 55
Notes to required supplementary information	56 – 57
Other supplementary information:	
Nonmajor governmental funds – combining balance sheet	58
Nonmajor governmental funds – combining statement of revenues, expenditures and changes in fund balances	59
Schedule of combining balance sheet, capital projects fund-by account	60
Schedule of combining statement of revenues, expenditures and changes in fund balances, capital projects fund-by account	61

**Table of Contents (Continued)**

Combining schedule of fiduciary net position, private purpose trust fund, by account	62
Combining schedule of changes in fiduciary net position, private purpose trust fund, by account	63
Combining statement of fiduciary net position	64
Combining statement of changes in fiduciary net position, custodial funds	65
Schedule of revenues by source and expenditures by function – all governmental funds	66 – 67
<hr/>	
<b>COMPLIANCE SECTION</b>	
Schedule of expenditures of federal awards	68
Notes to the schedule of expenditures of federal awards	69
Summary schedule of prior audit findings	70
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	71 – 72
Independent auditor's report on compliance for each major federal program and on internal control over compliance required by the Uniform Guidance	73 – 74
Schedule of findings and questioned costs	75 – 78
Corrective action plan	79
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**Muscatine Community School District**

**Officials**

**Year Ended June 30, 2021**

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<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
<b>2020-2021 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>2021-2022 Board of Education</b>		
John DaBeet	President	2023
Mike Morgan	Vice President	2023
Matt Conrad	Board Member	2025
Karen Cooney	Board Member	2023
Ken LaRue	Board Member	2025
Lindsey Phillips	Board Member	2025
Denny Schuur	Board Member	2023
<b>School Officials</b>		
Clint Christopher	Superintendent	2021
Tom Anderson	Director of Finance	2021
Lisa Mosier Bunn	District Secretary	2021
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, 2021, 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, 2021, 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 49-57 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, 2012 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, 2012 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, 2012 through 2014 taken as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022, 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.

*Bohnsack & Frommelt LLP*

Moline, Illinois  
January 28, 2022

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## **Muscatine Community School District**

### **Management's Discussion and Analysis Year Ended June 30, 2021**

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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, 2021. We encourage readers to consider this information in conjunction with the District's financial statements, which follow:

#### **2020-21 FINANCIAL HIGHLIGHTS**

The District showed an increase in net position of \$2,351,145 and a decrease of \$1,605,100 during the years ended June 30, 2021 and 2020, respectively.

Total revenues for the fiscal year ended June 30, 2021 and 2020 of \$70,554,233 and \$68,420,542 were comprised of general revenues in the amount of \$52,375,787 and \$52,739,811 and program revenues totaling \$18,178,446 and \$15,680,731 respectively.

As of June 30, 2021, the District's governmental funds reported combined fund balances of \$21,635,820 an increase of \$4,918,656 in comparison to 2020. As of June 30, 2020, the District's governmental funds reported combined fund balances of \$16,717,164 an increase of \$8,836,294 in comparison to 2019.

#### **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.

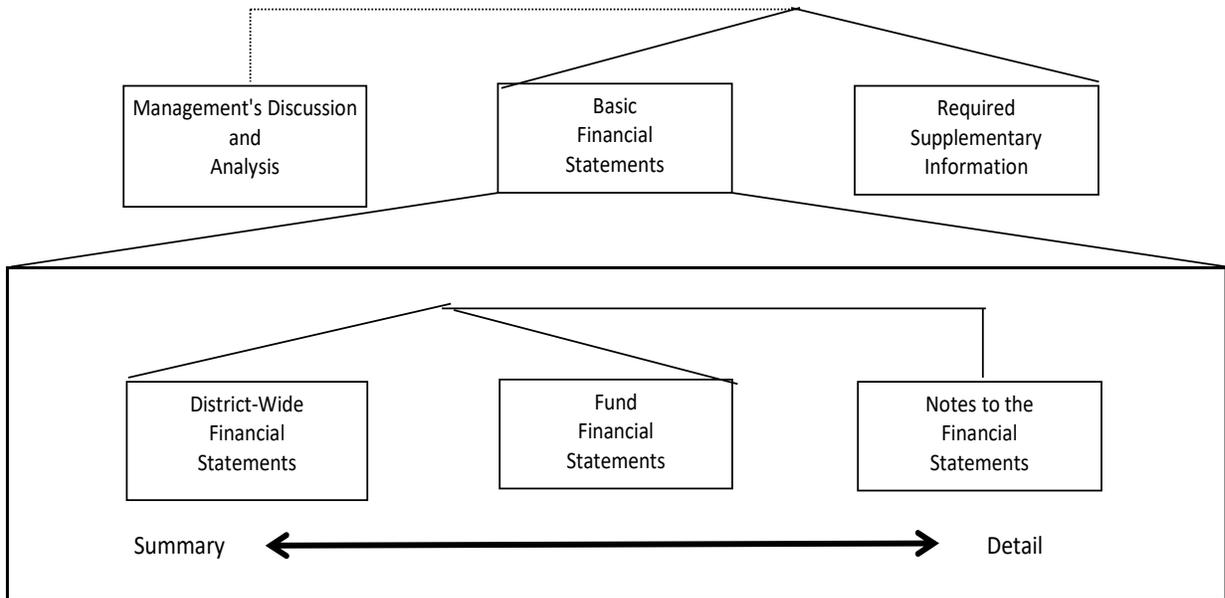
**Muscatine Community School District**

**Management's Discussion and Analysis  
Year Ended June 30, 2021**

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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, 2021**

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 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  Statement of activities	Balance sheet  Statement of revenues, expenditures and changes in fund balances	Statement of net position  Statement of revenues, expenses and changes in net position  Statement of cash flows	Statement of fiduciary net position  Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## Muscatine Community School District

### Management's Discussion and Analysis Year Ended June 30, 2021

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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, 2021

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The District's major governmental funds for 2020-21 were the General Fund and the Capital Projects Fund. The nonmajor governmental funds include three special revenue funds (the Management Fund, Student Activities Fund, and Support Trust Fund), and the Debt Service Fund. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 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 has two types of proprietary funds. 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.

Internal Service funds are used to report the same functions presented as governmental activities in the government-wide financial statements. The District maintains one internal service fund to account for the premium and claim payments for the self-insured health insurance plan for District employees beginning July 1, 2021. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. Because the service provided by the District predominately benefits governmental, rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

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.

- Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. This fund type includes Private-Purpose Trust Fund and Custodial Fund.

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

Custodial funds: These are funds for which the District accounts for certain revenue collected for District employee purchases and as a fiscal agent for other entities.

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.

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, 2021

#### Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net position as of June 30, 2021 compared to June 30, 2020.

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

	Governmental Activities		Business-Type Activities		Total School District	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Current and other assets	\$ 48,915,912	\$ 44,308,147	\$ 1,053,437	\$ 609,389	\$ 49,969,349	\$ 44,917,536
Capital assets	54,644,500	56,499,125	396,906	430,951	55,041,406	56,930,076
<b>Total assets</b>	<b>103,560,412</b>	<b>100,807,272</b>	<b>1,450,343</b>	<b>1,040,340</b>	<b>105,010,755</b>	<b>101,847,612</b>
Deferred outflows of resources	7,444,734	6,594,072	237,477	207,431	7,682,211	6,801,503
Long-term liabilities	46,331,180	40,429,346	1,651,850	1,474,544	47,983,030	41,903,890
Other liabilities	6,657,795	8,618,980	69,920	122,715	6,727,715	8,741,695
<b>Total liabilities</b>	<b>52,988,975</b>	<b>49,048,326</b>	<b>1,721,770</b>	<b>1,597,259</b>	<b>54,710,745</b>	<b>50,645,585</b>
Deferred inflows of resources	21,546,593	23,832,474	73,465	160,038	21,620,058	23,992,512
Net position:						
Net investment in capital assets	54,644,500	56,499,125	396,906	430,951	55,041,406	56,930,076
Restricted	11,260,430	6,271,838	-	-	11,260,430	6,271,838
Unrestricted	(29,435,352)	(28,250,419)	(504,321)	(940,477)	(29,939,673)	(29,190,896)
<b>Total net position</b>	<b>\$ 36,469,578</b>	<b>\$ 34,520,544</b>	<b>\$ (107,415)</b>	<b>\$ (509,526)</b>	<b>\$ 36,362,163</b>	<b>\$ 34,011,018</b>

The District's combined net position as of June 30, 2021 increased by \$2,351,145 (6.9%) over the June 30, 2020 combined net position. Net position in the governmental activities increased by \$1,949,034 (5.6%) The net position of the District's business-type activities increased by \$402,111 (78.9%).

Net position increased primarily due to:

- The District received a private donation of \$1,000,000 for use toward the high school construction project.
- The District reduced operating expenditures by offering early retirement in prior years resulting in less positions as District enrollment decreases.
- The District participated in the Summer Food Service Program which provides meals free to all students due to the COVID-19 pandemic. The reimbursement rate for meals provided by the federal government is higher than the reimbursement rate under other federal nutrition programs.
- The District's only long-term debt obligation is a lease purchase agreement which the District reduced by \$446,152 during the fiscal year.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by \$4,988,592 (79.5%) due to building the SAVE account of the Capital Projects Fund back up from sales tax revenues exceeding expenditures for future 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 \$748,777 (2.6%).

## Muscatine Community School District

### Management's Discussion and Analysis Year Ended June 30, 2021

Figure A-4 shows the changes in net position for the year ended June 30, 2021 compared to the year ended June 30, 2020.

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

	Governmental Activities		Business-Type Activities		Total School District	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,035,923	\$ 2,469,963	\$ 96,197	\$ 479,666	\$ 1,132,120	\$ 2,949,629
Operating grants and contributions	12,701,568	10,888,353	3,344,758	1,842,749	16,046,326	12,731,102
Capital grants and contributions	1,000,000	-	-	-	1,000,000	-
General revenues:						
Property taxes	18,663,090	18,603,727	-	-	18,663,090	18,603,727
Income surtax	308,888	332,891	-	-	308,888	332,891
State foundation aid	27,480,212	27,313,595	-	-	27,480,212	27,313,595
Statewide sales and services tax	5,238,521	5,081,114	-	-	5,238,521	5,081,114
Revenue in lieu of tax	632,233	637,213	-	-	632,233	637,213
Other	52,320	770,022	523	1,249	52,843	771,271
<b>Total revenues</b>	<b>67,112,755</b>	<b>66,096,878</b>	<b>3,441,478</b>	<b>2,323,664</b>	<b>70,554,233</b>	<b>68,420,542</b>
<b>Expenses:</b>						
Instruction	41,812,013	44,170,510	-	-	41,812,013	44,170,510
Support services	21,024,841	20,804,046	-	-	21,024,841	20,804,046
Noninstructional	63,626	34,468	3,043,110	2,758,212	3,106,736	2,792,680
Other	2,259,498	2,258,406	-	-	2,259,498	2,258,406
<b>Total expenses</b>	<b>65,159,978</b>	<b>67,267,430</b>	<b>3,043,110</b>	<b>2,758,212</b>	<b>68,203,088</b>	<b>70,025,642</b>
<b>Excess (deficiency) of revenues over expenses before transfers</b>						
	1,952,777	(1,170,552)	398,368	(434,548)	2,351,145	(1,605,100)
Transfers	(3,743)	5,602	3,743	(5,602)	-	-
<b>Increase (decrease) in net position</b>	<b>1,949,034</b>	<b>(1,164,950)</b>	<b>402,111</b>	<b>(440,150)</b>	<b>2,351,145</b>	<b>(1,605,100)</b>
Net position, beginning	34,520,544	35,685,494	(509,526)	(69,376)	34,011,018	35,616,118
Net position, ending	<b>\$ 36,469,578</b>	<b>\$ 34,520,544</b>	<b>\$ (107,415)</b>	<b>\$ (509,526)</b>	<b>\$ 36,362,163</b>	<b>\$ 34,011,018</b>

In 2020-21, property taxes, income surtax, state foundation aid, statewide sales and services tax, and revenue in lieu of tax accounted for 77.9% 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 92.1% of the total expenses.

Total revenue for the District increased by \$2,133,691 (3.1%) in the fiscal year ended June 30, 2021. The most significant revenue category change was due to an increase in federal funding due to COVID relief funds. Total District expenses decreased by \$1,822,554 (2.6%), which is primarily due to reduced personnel costs as a result of reducing positions.

## Muscatine Community School District

### Management's Discussion and Analysis Year Ended June 30, 2021

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#### Governmental Activities

Revenue for the District's governmental activities in 2020-21 increased by \$1,015,877 (1.5%) from the previous year, while total expenses decreased by \$2,107,452 (3.1%). Governmental activities net position as of June 30, 2021 increased by \$1,949,034 (5.6%) over the June 30, 2020 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, 2021 compared to the year ended June 30, 2020.

	Total Cost of Services		Net Cost of Services	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Instruction	\$ 41,812,013	\$ 44,170,510	\$ 30,596,284	\$ 33,362,414
Support services	21,024,841	20,804,046	19,748,345	20,488,430
Noninstructional	63,626	34,468	63,626	34,468
Other	2,259,498	2,258,406	14,232	23,802
<b>Total</b>	<b>\$ 65,159,978</b>	<b>\$ 67,267,430</b>	<b>\$ 50,422,487</b>	<b>\$ 53,909,114</b>

For the year ended June 30, 2021:

- The cost financed by the users of the District's programs was \$1,035,923.
- Federal and state governments and some local sources subsidized certain programs with grants and contributions totaling \$13,701,568.
- The net cost of governmental activities was financed with \$18,663,090 in property taxes, \$308,888 in income surtax, \$27,480,212 of unrestricted state grants, \$5,238,521 in statewide sales and services tax revenue, \$632,233 in revenue in lieu of tax and \$52,320 in other revenues.

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.

#### Business-Type Activities

The District's business-type activities include the School Nutrition Fund. Revenues of the District's business-type activities in 2020-21 were \$3,441,478, an increase of \$1,117,814 (48.1%) from 2019-20 due to the COVID-19 pandemic. Through the Summer Food Service Program, meals are served free to all students and reimbursed by the federal government at higher rates than prior federal nutrition programs. Expenses were \$3,043,110; an increase of \$284,898 (10.3%) from 2019-20 primarily due to increases in supplies and food costs.

## Muscatine Community School District

### Management's Discussion and Analysis Year Ended June 30, 2021

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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 \$21,635,820, which reflects an increase from last year's ending fund balances of \$16,717,164. The primary reason for the increase in the combined fund balances at the end of the 2020-21 fiscal year is due to an increase in the Capital Project Fund fund balance of \$4,845,511 due to statewide sales services and use tax revenue and local tax from the physical plant and equipment levy exceeding current year spending on capital projects of \$3,072,454 in the current year.

#### Governmental Fund Highlights

- The fund balance in the District's General Fund decreased by \$243,413 from \$11,135,845 as of June 30, 2020 to \$10,892,432 as of June 30, 2021. The District had additional expenditures for supplies and services as a result of COVID-19.
- The fund balance in the Capital Projects Fund increased by \$4,845,511. The statewide sales, service and use tax generated \$266,122 less in revenue in 2020-21 than in the previous fiscal year. Local tax generated from the physical plant and equipment levy was \$2,400,787 compared to the prior year of \$2,346,486 which represents a \$54,301 increase from 2019-20. Total capital projects expenditures were \$3,072,454 in 2020-21 compared to \$15,042,686 in 2019-20. In the current year and prior 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 increased by \$402,111 during 2020-21 primarily due to federal funding received due to COVID-19.

#### 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 custodial 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 amended the budget during the fiscal year to increase budgeted expenditures \$2,500,250 for grant related activities.

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, 2021

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 \$1,828,900 more than budgeted, a variance of 2.7%. Total expenditures were \$8,040,083 less than budgeted, a variance of 11.0%.

#### Capital Asset and Debt Administration

##### Capital Assets

By the end of the 2020-21 fiscal year, the District had invested \$55,041,406 (net of accumulated depreciation of \$53,160,997) in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment and administrative offices. This amount represents a net decrease of \$1,888,670 or 3.3% 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 \$4,249,163.

	Governmental Activities		Business-Type Activities		Total School District	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Land	\$ 1,454,234	\$ 1,454,234	\$ -	\$ -	\$ 1,454,234	\$ 1,454,234
Construction in progress	998,293	9,723,578	-	-	998,293	9,723,578
Buildings	47,289,735	40,033,442	-	-	47,289,735	40,033,442
Improvements other than buildings	2,122,491	2,396,122	-	-	2,122,491	2,396,122
Furniture and equipment	2,779,747	2,891,749	396,906	430,951	3,176,653	3,322,700
<b>Total</b>	<b>\$ 54,644,500</b>	<b>\$ 56,499,125</b>	<b>\$ 396,906</b>	<b>\$ 430,951</b>	<b>\$ 55,041,406</b>	<b>\$ 56,930,076</b>

##### Long-Term Liabilities

As of June 30, 2021, the District had the following long-term liabilities:

	Governmental Activities		Business-Type Activities		Total School District	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Capital lease	\$ 458,952	\$ 905,104	\$ -	\$ -	\$ 458,952	\$ 905,104
Compensated absences	176,485	222,261	-	-	176,485	222,261
Early retirement	1,864,530	1,292,495	-	-	1,864,530	1,292,495
Net OPEB liability	13,638,565	12,128,078	666,697	619,981	14,305,262	12,748,059
Net pension liability	30,192,648	25,881,408	985,153	854,563	31,177,801	26,735,971
<b>Total</b>	<b>\$ 46,331,180</b>	<b>\$ 40,429,346</b>	<b>\$ 1,651,850</b>	<b>\$ 1,474,544</b>	<b>\$ 47,983,030</b>	<b>\$ 41,903,890</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, 2021

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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 2.4% (\$169 per pupil) for the 2021/2022 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, 2021 certified student enrollment count, which is used to determine state foundation aid for the District for the 2022-23 school year, decreased by 86.95 to 4,603.05 from the October 1, 2020 count of 4,690.00. The number of open enrollment students from neighboring district's attending Muscatine Community School District increased from 73.7 to 75.8. The number of open enrollment students attending neighboring school districts decreased from 238.6 to 220.4. The 144.6 open enrollment student net loss costs approximately \$1.04 million in expense for the District's general operating fund.
- The District's 4-year-old preschool program enrollment decreased by 10 students to a total enrollment of 247. 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 2021-22 school year. The District serves 153 preschool students, up 18 from the year before, and four community partner's serve the other 94, down 28 from the year before.
- The District started a 2.5M high school stadium renovation in May, 2021 that includes new stadium bleachers and press box, new track, turf field, and score board. Renovations to the old science wing at the high school for a Student Center, HVAC projects throughout the district, and a new Centralized Kitchen are additional construction projects in progress.
- 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 2021 with a positive solvency ratio of 19.1%. This is a decrease from the previous year solvency ratio of 20.3%. Unspent spending authority increased to 18.4% from 17.1% from fiscal year 2020 to 2021. Both of these ratios are a measurement of financial health for the District's general operating fund and continue to be in good position.

#### 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, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 25,860,927	\$ 844,246	\$ 26,705,173
Receivables:			
Property tax:			
Current year	158,749	-	158,749
Succeeding year	19,129,318	-	19,129,318
Accounts	117,299	4,094	121,393
Income surtax	323,032	-	323,032
Due from other governments	2,630,258	132,185	2,762,443
Inventories	-	72,912	72,912
Prepaid expenses	696,329	-	696,329
Capital assets:			
Nondepreciable	2,452,527	-	2,452,527
Depreciable, net	52,191,973	396,906	52,588,879
<b>Total assets</b>	<b>103,560,412</b>	<b>1,450,343</b>	<b>105,010,755</b>
<b>Deferred Outflows of Resources,</b>			
OPEB related deferred outflows	924,409	34,010	958,419
Pension related deferred outflows	6,520,325	203,467	6,723,792
<b>Total deferred outflows of resources</b>	<b>7,444,734</b>	<b>237,477</b>	<b>7,682,211</b>
<b>Liabilities</b>			
Accounts payable	1,528,483	26,275	1,554,758
Salaries and benefits payable	5,117,244	17,223	5,134,467
Unearned revenue	-	26,422	26,422
Accrued interest payable	12,068	-	12,068
Long-term liabilities:			
Portion due within one year:			
Capital lease	458,952	-	458,952
Compensated absences	176,485	-	176,485
Early retirement	768,033	-	768,033
Portion due after one year:			
Early retirement	1,096,497	-	1,096,497
Net OPEB liability	13,638,565	666,697	14,305,262
Net pension liability	30,192,648	985,153	31,177,801
<b>Total liabilities</b>	<b>52,988,975</b>	<b>1,721,770</b>	<b>54,710,745</b>
<b>Deferred Inflows of Resources</b>			
Succeeding year property tax	19,129,318	-	19,129,318
OPEB related deferred inflows	463,585	16,884	480,469
Pension related deferred inflows	1,953,690	56,581	2,010,271
<b>Total deferred inflows of resources</b>	<b>21,546,593</b>	<b>73,465</b>	<b>21,620,058</b>
<b>Net Position</b>			
Net investment in capital assets	54,644,500	396,906	55,041,406
Restricted for:			
Categorical funding	520,584	-	520,584
Management levy	1,624,403	-	1,624,403
Physical plant and equipment levy	2,698,575	-	2,698,575
Student activities	311,375	-	311,375
School infrastructure	6,105,493	-	6,105,493
Unrestricted	(29,435,352)	(504,321)	(29,939,673)
<b>Total net position</b>	<b>\$ 36,469,578</b>	<b>\$ (107,415)</b>	<b>\$ 36,362,163</b>

See Notes to Basic Financial Statements.

**Muscatine Community School District**

**Statement of Activities  
Year Ended June 30, 2021**

Functions/Programs	Expenses	Charges for Services
Governmental activities:		
Instruction	\$ 41,812,013	\$ 1,035,923
Support services:		
Student services	2,381,632	-
Instructional staff services	2,858,838	-
Administration services	6,419,036	-
Operation and maintenance of plant services	6,893,340	-
Transportation services	2,471,995	-
	<u>21,024,841</u>	<u>-</u>
Noninstructional programs	63,626	-
Other expenditures:		
Interest expense	14,232	-
AEA flowthrough	2,245,266	-
	<u>2,259,498</u>	<u>-</u>
Total governmental activities	<u>65,159,978</u>	<u>1,035,923</u>
Business-type activities:		
Food service operations, noninstructional programs	3,043,110	96,197
Total business-type activities	<u>3,043,110</u>	<u>96,197</u>
Total primary government	<u>\$ 68,203,088</u>	<u>\$ 1,132,120</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 and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 10,179,806	\$ -	\$ (30,596,284)	\$ -	\$ (30,596,284)
276,496	-	(2,105,136)	-	(2,105,136)
-	-	(2,858,838)	-	(2,858,838)
-	-	(6,419,036)	-	(6,419,036)
-	1,000,000	(5,893,340)	-	(5,893,340)
-	-	(2,471,995)	-	(2,471,995)
276,496	1,000,000	(19,748,345)	-	(19,748,345)
-	-	(63,626)	-	(63,626)
-	-	(14,232)	-	(14,232)
2,245,266	-	-	-	-
2,245,266	-	(14,232)	-	(14,232)
12,701,568	1,000,000	(50,422,487)	-	(50,422,487)
3,344,758	-	-	397,845	397,845
3,344,758	-	-	397,845	397,845
\$ 16,046,326	\$ 1,000,000	(50,422,487)	397,845	(50,024,642)
		14,742,785	-	14,742,785
		2,400,787	-	2,400,787
		1,519,518	-	1,519,518
		308,888	-	308,888
		5,238,521	-	5,238,521
		632,233	-	632,233
		27,480,212	-	27,480,212
		49,291	523	49,814
		3,029	-	3,029
		(3,743)	3,743	-
		52,371,521	4,266	52,375,787
		1,949,034	402,111	2,351,145
		34,520,544	(509,526)	34,011,018
\$	\$	36,469,578	(107,415)	\$ 36,362,163

**Muscatine Community School District**

**Balance Sheet  
Governmental Funds  
June 30, 2021**

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 15,156,328	\$ 8,279,019	\$ 1,934,746	\$ 25,370,093
Receivables:				
Property tax:				
Current year	125,713	20,041	12,995	158,749
Succeeding year	15,672,875	2,456,443	1,000,000	19,129,318
Accounts	5,058	105,000	7,241	117,299
Income surtax	323,032	-	-	323,032
Due from other governments	1,536,677	1,093,496	85	2,630,258
Prepaid items	1,606	65,535	629,188	696,329
<b>Total assets</b>	<b>\$ 32,821,289</b>	<b>\$ 12,019,534</b>	<b>\$ 3,584,255</b>	<b>\$ 48,425,078</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 815,706	\$ 693,488	\$ 19,289	\$ 1,528,483
Salaries and benefits payable	5,117,244	-	-	5,117,244
<b>Total liabilities</b>	<b>5,932,950</b>	<b>693,488</b>	<b>19,289</b>	<b>6,645,727</b>
Deferred Inflows of Resources:				
Unavailable revenue:				
Succeeding year property tax	15,672,875	2,456,443	1,000,000	19,129,318
Income surtax	323,032	-	-	323,032
Statewide sales and services tax	-	691,181	-	691,181
<b>Total deferred inflows of resources</b>	<b>15,995,907</b>	<b>3,147,624</b>	<b>1,000,000</b>	<b>20,143,531</b>
Fund balances:				
Nonspendable	1,606	65,535	629,188	696,329
Restricted for:				
Categorical funding	520,584	-	-	520,584
Management levy	-	-	1,624,403	1,624,403
Physical plant and equipment levy	-	2,698,575	-	2,698,575
School infrastructure	-	5,414,312	-	5,414,312
Student activity purposes	-	-	311,375	311,375
Assigned	76,093	-	-	76,093
Unassigned	10,294,149	-	-	10,294,149
<b>Total fund balances</b>	<b>10,892,432</b>	<b>8,178,422</b>	<b>2,564,966</b>	<b>21,635,820</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 32,821,289</b>	<b>\$ 12,019,534</b>	<b>\$ 3,584,255</b>	<b>\$ 48,425,078</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, 2021

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Total fund balances of governmental funds \$ 21,635,820

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. 54,644,500

Other long-term assets are not available to pay for current period expenditures  
and, therefore, are unavailable in the funds. 1,014,213

Internal service funds are used by management to charge the costs of certain  
services to individual funds. The assets and liabilities of the internal service fund  
are included in governmental activities in the statement of net position. 490,834

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	924,409
OPEB related deferred inflows of resources	(463,585)
Pension related deferred outflows of resources	6,520,325
Pension related deferred inflows of resources	(1,953,690)

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	(176,485)
Capital lease	(458,952)
Accrued interest payable	(12,068)
Early retirement	(1,864,530)
Net OPEB liability	(13,638,565)
Net pension liability	(30,192,648)

**Net position of governmental activities** \$ 36,469,578

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, 2021**

	General	Capital Projects	Nonmajor	Total
<b>Revenues:</b>				
<b>Local sources:</b>				
Local tax	\$ 15,039,414	\$ 2,400,787	\$ 1,519,518	\$ 18,959,719
Tuition	562,040	-	-	562,040
Private donations	119,934	1,000,000	-	1,119,934
Interest	43,886	1,916	3,487	49,289
Other	135,610	-	338,273	473,883
State sources	37,161,070	4,987,380	50,325	42,198,775
Federal sources	3,301,861	-	-	3,301,861
<b>Total revenues</b>	<b>56,363,815</b>	<b>8,390,083</b>	<b>1,911,603</b>	<b>66,665,501</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	36,997,207	854	728,457	37,726,518
<b>Support services:</b>				
Student services	2,283,713	-	5,727	2,289,440
Instructional staff services	2,736,103	25,327	5,114	2,766,544
Administration services	5,805,173	266,310	102,923	6,174,406
Operation and maintenance of plant services	5,197,815	279,033	565,922	6,042,770
Transportation services	1,385,307	454,686	106,092	1,946,085
	17,408,111	1,025,356	785,778	19,219,245
Noninstructional programs	-	-	36,740	36,740
<b>Other expenditures:</b>				
Facilities acquisition	-	2,046,244	-	2,046,244
<b>Debt service:</b>				
Principal	-	-	446,152	446,152
Interest	-	-	25,966	25,966
AEA flowthrough	2,245,266	-	-	2,245,266
	2,245,266	2,046,244	472,118	4,763,628
<b>Total expenditures</b>	<b>56,650,584</b>	<b>3,072,454</b>	<b>2,023,093</b>	<b>61,746,131</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(286,769)</b>	<b>5,317,629</b>	<b>(111,490)</b>	<b>4,919,370</b>
<b>Other financing sources (uses):</b>				
Transfer in	54,813	-	472,118	526,931
Transfer (out)	(14,486)	(472,118)	(44,070)	(530,674)
Proceeds from sale of capital assets	3,029	-	-	3,029
<b>Total other financing sources (uses)</b>	<b>43,356</b>	<b>(472,118)</b>	<b>428,048</b>	<b>(714)</b>
<b>Net change in fund balance</b>	<b>(243,413)</b>	<b>4,845,511</b>	<b>316,558</b>	<b>4,918,656</b>
Fund balances, beginning of year	11,135,845	3,332,911	2,248,408	16,717,164
Fund balances, end of year	\$ 10,892,432	\$ 8,178,422	\$ 2,564,966	\$ 21,635,820

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, 2021**

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Net change in fund balances - total governmental funds \$ 4,918,656

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	2,342,854	
Depreciation expense	(4,197,479)	
Proceeds from sale of capital assets	(3,029)	
Gain on sale of capital assets	3,029	(1,854,625)

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:

Income surtax	12,259	
Statewide sales and services tax	431,964	444,223

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities. 490,834

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		446,152
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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	45,776	
Change in accrued interest payable	11,734	
Early retirement	(572,035)	
Net pension expense	(943,472)	
Net OPEB liability	(1,038,209)	(2,496,206)

**Change in net position of governmental activities \$ 1,949,034**

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See Notes to Basic Financial Statements.

**Muscatine Community School District**

**Statement of Net Position**

**Proprietary Funds**

**June 30, 2021**

	Governmental	
	Enterprise Fund	Activities
	School Nutrition	Internal Service Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 844,246	\$ 490,834
Accounts receivable	4,094	-
Intergovernmental receivable	132,185	-
Inventories	72,912	-
Capital assets, net of accumulated depreciation	396,906	-
<b>Total assets</b>	<b>1,450,343</b>	<b>490,834</b>
<b>Deferred Outflows of Resources:</b>		
OPEB related deferred outflows	34,010	-
Pension related deferred outflows	203,467	-
<b>Total deferred outflows of resources</b>	<b>237,477</b>	<b>-</b>
<b>Liabilities</b>		
Accounts payable	26,275	-
Salaries and benefits payable	17,223	-
Unearned revenue	26,422	-
Net OPEB liability	666,697	-
Net pension liability	985,153	-
<b>Total liabilities</b>	<b>1,721,770</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>		
OPEB related deferred inflows	16,884	-
Pension related deferred inflows	56,581	-
<b>Total deferred inflows of resources</b>	<b>73,465</b>	<b>-</b>
<b>Net Position</b>		
Net investment in capital assets	396,906	-
Unrestricted	(504,321)	490,834
<b>Total net position (deficit)</b>	<b>\$ (107,415)</b>	<b>\$ 490,834</b>

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, 2021**

	Enterprise Fund	Governmental Activities
	School Nutrition	Internal Service Fund
Operating revenues:		
Local sources, charges for services	\$ 96,197	\$ 490,832
Operating expenses:		
Noninstructional programs:		
Salaries	1,091,055	-
Benefits	519,544	-
Purchased services	67,219	-
Supplies	1,311,566	-
Depreciation	51,684	-
Other	2,042	-
Total noninstructional programs	3,043,110	-
<b>Total operating expenses</b>	3,043,110	-
<b>Operating income (loss)</b>	(2,946,913)	490,832
Nonoperating revenues:		
Interest on investments	523	2
State sources	26,859	-
Federal sources	3,317,899	-
<b>Total nonoperating revenues</b>	3,345,281	2
<b>Income before transfers</b>	398,368	490,834
Transfer in	14,486	-
Transfers (out)	(10,743)	-
<b>Change in net position</b>	402,111	490,834
Net position (deficit), beginning of year	(509,526)	-
Net position (deficit), end of year	\$ (107,415)	\$ 490,834

See Notes to Basic Financial Statements.

**Muscatine Community School District**

**Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2021**

	Enterprise Fund	Governmental Activities
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 93,864	\$ -
Cash received from miscellaneous operating activities	-	490,832
Cash payments to employees for services	(1,611,934)	-
Cash payments to suppliers for goods or services	(1,124,882)	-
<b>Net cash provided by (used in) operating activities</b>	<b>(2,642,952)</b>	<b>490,832</b>
Cash flows from noncapital financing activities:		
State grants received	26,859	-
Federal grants received	3,063,722	-
Transfers in	14,486	-
Transfers (out)	(10,743)	-
<b>Net cash provided by noncapital financing activities</b>	<b>3,094,324</b>	<b>-</b>
Cash flows (used in) capital related financing activities,		
Acquisition of capital assets	(17,639)	-
Cash flows from investing activities, interest on investments	523	2
<b>Net increase in cash and cash equivalents</b>	<b>434,256</b>	<b>490,834</b>
Cash and cash equivalents, beginning of year	409,990	-
Cash and cash equivalents, end of year	<b>\$ 844,246</b>	<b>\$ 490,834</b>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (2,946,913)	\$ 490,832
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	51,684	-
Commodities used	197,437	-
(Increase) in accounts receivable	(4,047)	-
Decrease in inventories	50,995	-
Increase in accounts payable	7,513	-
(Decrease) in salaries and benefits payable	(62,022)	-
Increase in net OPEB liability and related deferred outflows of resources and deferred inflows of resources	32,110	-
Increase in net pension liability and related deferred outflows of resources and deferred inflows of resources	28,577	-
Increase in unearned revenue	1,714	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (2,642,952)</b>	<b>\$ 490,832</b>
Schedule of noncash items:		
Noncapital financing activities, federal commodities	\$ 197,437	\$ -

See Notes to Basic Financial Statements.

**Muscatine Community School District**

**Statement of Fiduciary Net Position**

**Fiduciary Funds**

**June 30, 2021**

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	Private Purpose	
	Trust	Custodial
<b>Assets</b>		
Cash and investments	\$ 126	\$ 118,237
<b>Total assets</b>	<u>126</u>	<u>118,237</u>
<b>Liabilities</b>		
Accounts payable	126	3,060
<b>Total liabilities</b>	<u>126</u>	<u>3,060</u>
<b>Net position, restricted</b>	<u>\$ -</u>	<u>\$ 115,177</u>

See Notes to Basic Financial Statements.

**Muscatine Community School District**

**Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2021**

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	Private Purpose	
	Trust	Custodial
Additions:		
Net investment income	\$ 3,116	\$ 438,891
Deductions:		
Instruction:		
Administrative expenses	141,465	\$ 416,829
<b>Total deductions</b>	<u>141,465</u>	<u>416,829</u>
<b>Change in net position</b>	(138,349)	22,062
Net position, beginning of year	138,349	93,115
Net position, end of year	<u>\$ -</u>	<u>\$ 115,177</u>

See Notes to Basic Financial Statements.

## Muscatine Community School District

### Notes to Basic Financial Statements Year Ended June 30, 2021

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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, 2021

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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:

The Debt Service Fund accounts for the payment of general long-term debt principal, interest and related costs.

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.

Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those found in the private sector. The measurement focus is upon income determination, financial position, and cash flows. The District has two proprietary funds, an enterprise fund and an internal service fund.

Enterprise funds are used to account for those operations that are financed and operating in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District's major enterprise fund is the School Nutrition Fund which accounts for the food service operations of the District.

## Muscatine Community School District

### Notes to Basic Financial Statements Year Ended June 30, 2021

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

The Internal Service Fund is used to account for goods or services provided by one department to other departments of the District on a cost reimbursement basis. The District's Internal Service Fund is used to account for the premium and claim payments for the self-insured health insurance plans for District employees.

The District also reported fiduciary funds which focus on net position and changes in net position. 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 Custodial 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.

#### 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.

## Muscatine Community School District

### Notes to Basic Financial Statements Year Ended June 30, 2021

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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:

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.

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 became 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, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2020.

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, 2021**

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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, 2021

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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, 2021

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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, 2021 consists of \$520,584 for categorical funding, \$1,624,403 for management levy purposes, \$2,698,575 for physical plant and equipment levy, \$311,375 for student activities, and \$6,105,493 for school infrastructure.

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.

Cash flows: 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.

## Muscatine Community School District

### Notes to Basic Financial Statements Year Ended June 30, 2021

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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.

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

Credit risk: The District did not have investments subject to credit risk as of June 30, 2021.

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, 2021 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, 2021, the District's investments are not exposed to custodial credit risk.

#### Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

	Transfers In	Transfers Out
Major funds:		
General	\$ 54,813	\$ 14,486
Capital Projects Fund	-	472,118
Other nonmajor governmental funds	472,118	44,070
Major fund, Enterprise Fund, School Nutrition	14,486	10,743
	<u>\$ 541,417</u>	<u>\$ 541,417</u>

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

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2021**

**Note 4. Capital Assets**

Capital assets activity for the year ended June 30, 2021 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,454,234	\$ -	\$ -	\$ 1,454,234
Construction in progress	9,723,578	1,892,713	10,617,998	998,293
<b>Total capital assets not being depreciated</b>	<b>11,177,812</b>	<b>1,892,713</b>	<b>10,617,998</b>	<b>2,452,527</b>
Capital assets being depreciated:				
Buildings	79,152,139	10,617,998	-	89,770,137
Improvements other than buildings	5,718,631	-	-	5,718,631
Furniture and equipment	8,976,887	450,141	230,110	9,196,918
<b>Total capital assets being depreciated</b>	<b>93,847,657</b>	<b>11,068,139</b>	<b>230,110</b>	<b>104,685,686</b>
Less accumulated depreciation for:				
Buildings	39,118,697	3,361,705	-	42,480,402
Improvements other than buildings	3,322,509	273,631	-	3,596,140
Furniture and equipment	6,085,138	562,143	230,110	6,417,171
<b>Total accumulated depreciation</b>	<b>48,526,344</b>	<b>4,197,479</b>	<b>230,110</b>	<b>52,493,713</b>
<b>Total capital assets being depreciated, net</b>	<b>45,321,313</b>	<b>6,870,660</b>	<b>-</b>	<b>52,191,973</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 56,499,125</b>	<b>\$ 8,763,373</b>	<b>\$ 10,617,998</b>	<b>\$ 54,644,500</b>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 1,046,551	\$ 17,639	\$ -	\$ 1,064,190
Less accumulated depreciation	615,600	51,684	-	667,284
<b>Business-type activities capital assets, net</b>	<b>\$ 430,951</b>	<b>\$ (34,045)</b>	<b>\$ -</b>	<b>\$ 396,906</b>

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2021**

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

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction		\$ 2,653,364
Support services:		
Instructional staff services		43,871
Administration services		7,442
Operation and maintenance of plant services		1,020,627
Transportation services		472,175
<b>Total governmental activities depreciation expense</b>		<b>\$ 4,197,479</b>
Business-type activities, food service operations		<b>\$ 51,684</b>

**Note 5. Long-Term Liabilities**

As summary of changes in long-term liabilities for the year ended June 30, 2021 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ 222,261	\$ 405,829	\$ 451,605	\$ 176,485	\$ 176,485
Early retirement	1,292,495	1,014,334	442,299	1,864,530	768,033
Capital lease	905,104	-	446,152	458,952	458,952
	<b>\$ 2,419,860</b>	<b>\$ 1,420,163</b>	<b>\$ 1,340,056</b>	<b>\$ 2,499,967</b>	<b>\$ 1,403,470</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.

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

As of June 30, 2021, the District had obligations to 98 participants with a total liability of \$1,864,530. Actual early retirement expenditures for the year ended June 30, 2021 totaled \$442,299. 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.

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2021**

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

**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 \$446,152 in principal and \$25,966 interest for the year ended June 30, 2021. 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 June 30,	Principal	Interest	Total
2022	\$ 458,952	\$ 13,166	\$ 472,118

**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, 2020 for each plan are as shown below:

Rate Tier	\$250 PPO	\$500 PPO	HDHP
Single	\$ 816	\$ 770	\$ 630
Spouse	1,547	1,460	1,192
Family	2,460	2,322	1,895

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2021**

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

Employees covered by benefit terms: At June 30, 2021, 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
	815

**Total OPEB Liability**

The District's total OPEB liability of \$14,305,262 was measured as of June 30, 2021 and was determined by an actuarial valuation as June 30, 2020 and rolled forward to June 30, 2021.

	Total OPEB Liability
Balance at July 1, 2020	\$ 12,748,059
Changes for the year:	
Service cost	1,105,503
Interest	333,441
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	543,543
Benefit payments	(425,284)
Other changes	-
Net changes	1,557,203
Balance at June 30, 2021	\$ 14,305,262

Actuarial assumptions and other inputs: The total OPEB liability in the June 30, 2021 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	2.18% per annum
Retirees' share of benefit-related costs	100%
Health care cost trend rate	\$250 PPO Plan & \$500 PPO Plan - 7.00% High deductible Health Plan - 7.00% 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, 2021 valuation were based on the results of an actuarial experience study for the period 2010– 2020.

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2021**

**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 2.66% per annum in 2020 to 2.18% per annum in 2021.

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 (1.18%)	Discount Rate (2.18%)	1% Increase (3.18%)
Total OPEB liability	\$ 15,470,405	\$ 14,305,262	\$ 13,223,633

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 (6.00% decreasing to 4.50%)	Healthcare Cost Trend Rates (7.00% decreasing to 4.50%)	1% Increase (8.00% decreasing to 4.50%)
Total OPEB liability	\$ 12,671,638	\$ 14,305,262	\$ 16,254,007

For the year ended June 30, 2021, the District recognized OPEB expense of \$1,495,604. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (235,534)
Changes of assumptions or other inputs	958,419	(244,935)
Net difference between projected and actual investments	-	-
<b>Total</b>	<b>\$ 958,419</b>	<b>\$ (480,469)</b>

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2021**

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**Note 6. 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:		
2022	\$	56,659
2023		56,659
2024		56,659
2025		56,659
2026		56,659
Thereafter		194,655
	\$	<u>477,950</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, 2021**

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**Note 7. 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 2021, 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, 2021 were \$3,336,315.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the District reported a liability of \$31,177,801 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the District’s proportion was 0.443829 percent, which was a decrease of 0.017880 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$4,308,364.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,443	\$ 738,993
Changes of assumptions	1,600,346	-
Net difference between projected and actual earnings on pension plan investments	1,752,688	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,271,278
District contributions subsequent to the measurement date	3,336,315	-
Total	<u>\$ 6,723,792</u>	<u>\$ 2,010,271</u>

**Muscatine Community School District**

**Notes to Basic Financial Statements  
Year Ended June 30, 2021**

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

\$3,336,315 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, 2022.

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,	
2022	\$ 5,126
2023	274,972
2024	341,674
2025	828,271
2026	(72,837)
Total	<u>\$ 1,377,206</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of Inflation (effective June 30, 2017)	2.60 percent per annum
Salary Increases (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 (effective June 30, 2017)	7.00 percent, compounded annually, net of investment expense, including inflation.
Wage growth (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, 2020 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 2020 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, 2021**

**Note 7. 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%	4.43%
International equity	17.5%	5.15%
Global smart beta equity	6.0%	4.87%
Core plus fixed income	28.0%	-0.29%
Public credit	4.0%	2.29%
Cash	1.0%	-0.78%
Private equity	11.0%	6.54%
Private real assets	7.5%	4.48%
Private credit	3.0%	3.11%
<b>Total</b>	<b>100%</b>	

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% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
District’s proportionate share of the net pension liability	\$ 51,986,352	\$ 31,177,801	\$ 13,730,149

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, 2021, the District reported payables to the defined benefit pension plan of \$320,839 for legally required employer contributions and \$213,779 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, 2021

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#### Note 8. 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.

On July 1, 2021, the District transitioned from a commercially-insured health insurance plan to a self-funded health insurance plan.

#### Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$2,245,266 for the year ended June 30, 2021 and is recorded in the General Fund.

#### Note 10. Categorical Funding

The District's fund balance restricted for categorical funding as of June 30, 2021 is comprised of the following programs

Program	Amount
Home school assistance program	\$ 45,954
Teacher leadership and compensation system	89,303
Teacher salary supplement	9,331
Successful progression for early readers	99,721
Professional development	140,222
Four-year-old preschool	70,883
Gifted and talented	65,170
<b>Total</b>	<u><u>\$ 520,584</u></u>

#### Note 11. Commitments

The District has entered into contracts totaling \$2,415,203 for various building renovations. As of June 30, 2021, costs of \$804,379 had been incurred against the contracts. The balance of \$1,610,824 remaining as of June 30, 2021 will be paid as work on the projects progress.

#### Note 12. 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, 2021

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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, 2021 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	\$ 459,819
Muscatine County	Urban renewal and economic development projects	40,845

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, 2021, this reimbursement amounted to \$78,932.

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

The District adopted the following statements during the year ended June 30, 2021:

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

GASB Statement No. 90, *Majority Equity Interest-An Amendment of GASB Statement No. 14 and No. 61*: 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. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. This new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectional racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

## Muscatine Community School District

### Notes to Basic Financial Statements Year Ended June 30, 2021

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

The implementation of the above statements did not have a material impact on the District's Financial Statements.

As of June 30, 2021, 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. 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. 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, 2021

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#### Note 14. 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, 2021

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#### **Note 14. 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 15. 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 Four Fiscal Years**

	2021	2020	2019	2018
Total OPEB liability				
Changes for the year:				
Service cost	\$ 1,105,503	\$ 1,055,742	\$ 963,578	\$ 895,100
Interest	333,441	326,379	316,093	295,308
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(304,474)	-	-
Changes in assumptions or other inputs	543,543	48,935	166,039	111,193
Benefit payments	(425,284)	(357,516)	(387,137)	(529,164)
Other changes	-	102,046	17,642	(145,967)
Net changes in total OPEB liability	<u>1,557,203</u>	<u>871,112</u>	<u>1,076,215</u>	<u>626,470</u>
Total OPEB liability - beginning	<u>12,748,059</u>	<u>11,876,947</u>	<u>10,800,732</u>	<u>10,174,262</u>
Total OPEB liability - ending	<u>\$ 14,305,262</u>	<u>\$ 12,748,059</u>	<u>\$ 11,876,947</u>	<u>\$ 10,800,732</u>
Covered employee payroll	\$ 30,714,996	\$ 30,714,996	\$ 31,689,758	\$ 31,689,758
Total OPEB liability as a percentage of covered employee payroll	47%	42%	37%	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:

2.18%	2.66%	2.79%	2.98%
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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**

**Required Supplementary Information**

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Enterprise Fund  
Year Ended June 30, 2021**

	Governmental Funds - Actual	Enterprise Fund - Actual
Revenues:		
Local sources	\$ 21,164,865	\$ 96,720
State sources	42,198,775	26,859
Federal sources	3,301,861	3,317,899
<b>Total revenues</b>	<u>66,665,501</u>	<u>3,441,478</u>
Expenditures/expenses:		
Instruction	37,726,518	-
Support services	19,219,245	-
Noninstructional programs	36,740	3,043,110
Other expenditures	4,763,628	-
<b>Total expenditures/expenses</b>	<u>61,746,131</u>	<u>3,043,110</u>
<b>(Deficiency) of revenues (under) expenditures/expenses</b>	<u>4,919,370</u>	<u>398,368</u>
Other financing sources (uses):		
Transfers, net	(3,743)	3,743
Proceeds from sale of capital assets	3,029	-
<b>Total other financing sources (uses)</b>	<u>(714)</u>	<u>3,743</u>
<b>Net change in fund balance</b>	4,918,656	402,111
Fund balance/net position, beginning of year	16,717,164	(509,526)
Fund balance/net position, end of year	<u>\$ 21,635,820</u>	<u>\$ (107,415)</u>

See Notes to Required Supplementary Information.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 21,261,585	\$ 21,448,238	\$ 21,448,238	\$ (186,653)
42,225,634	42,661,547	42,661,547	(435,913)
6,619,760	4,168,294	4,168,294	2,451,466
<u>70,106,979</u>	<u>68,278,079</u>	<u>68,278,079</u>	<u>1,828,900</u>
37,726,518	40,265,138	41,000,000	3,273,482
19,219,245	18,480,858	19,900,000	680,755
3,079,850	2,763,754	3,200,000	120,150
4,763,628	8,729,324	8,729,324	3,965,696
<u>64,789,241</u>	<u>70,239,074</u>	<u>72,829,324</u>	<u>8,040,083</u>
5,317,738	(1,960,995)	(4,551,245)	9,868,983
-	-	-	-
3,029	-	-	3,029
<u>3,029</u>	<u>-</u>	<u>-</u>	<u>3,029</u>
5,320,767	\$ (1,960,995)	\$ (4,551,245)	\$ 9,872,012
16,207,638			
<u>\$ 21,528,405</u>			

**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 Seven Fiscal Years**

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	2021*	2020*
District's proportion of the net pension liability	0.443829%	0.461709%
District's proportionate share of the net pension liability	\$ 31,177,801	\$ 26,735,971
District's covered payroll	\$ 35,225,232	\$ 35,137,791
District's proportionate share of the net pension liability as a percentage of its covered payroll	88.51%	76.09%
Plan fiduciary net pension as a percentage of the total pension liability	82.90%	85.45%

\*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.

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2019*	2018*	2017*	2016*	2015*
0.467878%	0.473695%	0.481257%	0.494997%	0.503636%
\$ 29,608,449	\$ 31,544,108	\$ 30,287,033	\$ 24,455,266	\$ 19,973,711
\$ 35,169,191	\$ 35,364,277	\$ 34,536,797	\$ 33,911,814	\$ 32,956,000
84.19%	89.20%	87.69%	72.11%	60.61%
83.62%	82.21%	81.82%	85.19%	87.61%

**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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	2021	2020	2019	2018
Statutorily required contribution	\$ 3,336	\$ 3,325	\$ 3,317	\$ 3,141
Contributions in relation to the statutorily required contribution	\$ (3,336)	\$ (3,325)	\$ (3,317)	\$ (3,141)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 35,235	\$ 35,225	\$ 35,138	\$ 35,169
Contributions as a percentage of covered payroll	9.47%	9.44%	9.44%	8.93%

See Notes to Required Supplementary Information.

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	2017	2016	2015	2014	2013	2012
\$	3,158	\$ 3,084	\$ 3,028	\$ 2,943	\$ 2,784	\$ 2,602
\$	(3,158)	\$ (3,084)	\$ (3,028)	\$ (2,943)	\$ (2,784)	\$ (2,602)
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
\$	35,364	\$ 34,537	\$ 33,912	\$ 32,956	\$ 32,111	\$ 32,243
	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%

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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 was an amendment to the original budget during the year to increase expenditures \$2,500,250 for grant related expenditures.

#### 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, 2021**

	Special Revenue				Total
	Management Levy	Student Activity	Support Trust	Debt Service	
<b>Assets</b>					
Cash and pooled investments	\$ 1,615,774	\$ 318,972	\$ -	\$ -	\$ 1,934,746
Receivables:					
Property tax:					
Current year	12,995	-	-	-	12,995
Succeeding year	1,000,000	-	-	-	1,000,000
Accounts	-	7,241	-	-	7,241
Due from other governments	85	-	-	-	85
Prepaid items	629,188	-	-	-	629,188
<b>Total assets</b>	<b>\$ 3,258,042</b>	<b>\$ 326,213</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,584,255</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 4,451	\$ 14,838	\$ -	\$ -	\$ 19,289
<b>Total liabilities</b>	<b>4,451</b>	<b>14,838</b>	<b>-</b>	<b>-</b>	<b>19,289</b>
Deferred inflows of resources, Unavailable revenue-succeeding year property tax	1,000,000	-	-	-	1,000,000
Fund balance:					
Nonspendable	629,188	-	-	-	629,188
Restricted	1,624,403	311,375	-	-	1,935,778
<b>Total fund balances</b>	<b>2,253,591</b>	<b>311,375</b>	<b>-</b>	<b>-</b>	<b>2,564,966</b>
<b>Total liabilities, deferred     inflows of resources and     fund balances</b>	<b>\$ 3,258,042</b>	<b>\$ 326,213</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,584,255</b>

**Muscatine Community School District**

**Combining SHUHa Ybhof Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2021**

	Special Revenue				Total
	Management Levy	Student Activity	Support Trust	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 1,519,518	\$ -	\$ -	\$ -	\$ 1,519,518
Interest	2,360	1,127	-	-	3,487
Other	1,361	336,912	-	-	338,273
State sources	50,325	-	-	-	50,325
<b>Total revenues</b>	<b>1,573,564</b>	<b>338,039</b>	<b>-</b>	<b>-</b>	<b>1,911,603</b>
Expenditures:					
Current:					
Instruction	420,467	303,523	4,467	-	728,457
Support services:					
Student services	5,727	-	-	-	5,727
Instructional services	5,114	-	-	-	5,114
Administration services	102,923	-	-	-	102,923
Operation and maintenance of plant services	565,922	-	-	-	565,922
Transportation services	105,574	518	-	-	106,092
Noninstructional programs	36,740	-	-	-	36,740
Debt service:					
Principal	-	-	-	446,152	446,152
Interest	-	-	-	25,966	25,966
<b>Total expenditures</b>	<b>1,242,467</b>	<b>304,041</b>	<b>4,467</b>	<b>472,118</b>	<b>2,023,093</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>331,097</b>	<b>33,998</b>	<b>(4,467)</b>	<b>(472,118)</b>	<b>(111,490)</b>
Other financing sources (uses):					
Transfer in	-	-	-	472,118	472,118
Transfer (out)	(17,219)	-	(26,851)	-	(44,070)
<b>Net change in fund balances</b>	<b>313,878</b>	<b>33,998</b>	<b>(31,318)</b>	<b>-</b>	<b>316,558</b>
Fund balances, beginning of year	1,939,713	277,377	31,318	-	2,248,408
Fund balances, end of year	\$ 2,253,591	\$ 311,375	\$ -	\$ -	\$ 2,564,966

**Muscatine Community School District**

**Schedule of Combining Balance Sheet  
Capital Project Fund - By Account  
June 30, 2021**

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 5,029,846	\$ 3,249,173	\$ 8,279,019
Receivables:			
Property tax:			
Current year	-	20,041	20,041
Succeeding year	-	2,456,443	2,456,443
Accounts	-	105,000	105,000
Due from other governments	1,093,333	163	1,093,496
Prepaid items	-	65,535	65,535
<b>Total assets</b>	<b>\$ 6,123,179</b>	<b>\$ 5,896,355</b>	<b>\$ 12,019,534</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 17,686	\$ 675,802	\$ 693,488
<b>Total liabilities</b>	<b>17,686</b>	<b>675,802</b>	<b>693,488</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue-succeeding year property tax	-	2,456,443	2,456,443
Unavailable revenue-statewide sales and services tax	691,181	-	691,181
<b>Total deferred inflows of resources</b>	<b>691,181</b>	<b>2,456,443</b>	<b>3,147,624</b>
Fund Balances:			
Nonspendable	-	65,535	65,535
Restricted for:			
Physical plant and equipment	-	2,698,575	2,698,575
School infrastructure	5,414,312	-	5,414,312
<b>Total fund balances</b>	<b>5,414,312</b>	<b>2,764,110</b>	<b>8,178,422</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,123,179</b>	<b>\$ 5,896,355</b>	<b>\$ 12,019,534</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, 2021**

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 2,400,787	\$ 2,400,787
Private donations	-	1,000,000	1,000,000
Interest	1,191	725	1,916
State sources	4,806,557	180,823	4,987,380
<b>Total revenues</b>	<b>4,807,748</b>	<b>3,582,335</b>	<b>8,390,083</b>
Expenditures:			
Current:			
Instruction	854	-	854
Support services:			
Instructional staff services	-	25,327	25,327
Administration services	-	266,310	266,310
Operation and maintenance of plant services	129,316	149,717	279,033
Transportation services	-	454,686	454,686
Capital outlay, facilities acquisition	1,082,230	964,014	2,046,244
<b>Total expenditures</b>	<b>1,212,400</b>	<b>1,860,054</b>	<b>3,072,454</b>
<b>Excess of revenues over expenditures</b>	<b>3,595,348</b>	<b>1,722,281</b>	<b>5,317,629</b>
Other financing (uses):			
Transfer (out)	-	(472,118)	(472,118)
<b>Total other financing (uses)</b>	<b>-</b>	<b>(472,118)</b>	<b>(472,118)</b>
<b>Net change in fund balance</b>	<b>3,595,348</b>	<b>1,250,163</b>	<b>4,845,511</b>
Fund balance, beginning of year	1,818,964	1,513,947	3,332,911
Fund balance, end of year	\$ 5,414,312	\$ 2,764,110	\$ 8,178,422

**Muscatine Community School District**

**Combining Schedule of Fiduciary Net Position  
Private Purpose Trust Fund - By Account  
June 30, 2021**

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	<u>Jefferson Culture Fair Scholarship</u>
<b>Assets:</b>	
Cash and investments	\$ 126
<b>Total assets</b>	<u>126</u>
<b>Liabilities:</b>	
Accounts payable	126
<b>Total liabilities</b>	<u>126</u>
<b>Net Position</b>	
Restricted for scholarships	<u><u>\$ -</u></u>

**Muscatine Community School District**

**Combining Schedule of Changes in Fiduciary Net Position  
Private Purpose Trust Fund - By Account  
Year Ended June 30, 2021**

	Private Purpose Trust Accounts			Total
	Bernadette and Paul Rohling Scholarship	Illeen Rohling Scholarship	Jefferson Culture Fair Scholarship	
Additions:				
Local sources, other:				
Donations	\$ -	\$ -	\$ 1,000	\$ 1,000
Net investment income	1,964	152	-	2,116
<b>Total additions</b>	<b>1,964</b>	<b>152</b>	<b>1,000</b>	<b>3,116</b>
Deductions, current, Instruction, administrative	102,615	36,549	2,301	141,465
<b>Change in net position</b>	<b>(100,651)</b>	<b>(36,397)</b>	<b>(1,301)</b>	<b>(138,349)</b>
Net position, beginning of year	100,651	36,397	1,301	138,349
Net position, end of year	\$ -	\$ -	\$ -	\$ -

**Muscatine Community School District**

**Combining Statement of Fiduciary Net Position  
Fiduciary Funds- Custodial Funds  
June 30, 2021**

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	Custodial		
	Insurance	ECIMC Fiscal	
	Fund	Agent Fund	Total
<b>Assets:</b>			
Cash and investments	\$ 19,656	\$ 98,581	\$ 118,237
<b>Liabilities:</b>			
Accounts payable	-	3,060	3,060
<b>Net Position</b>	<u>\$ 19,656</u>	<u>\$ 95,521</u>	<u>\$ 115,177</u>

**Muscatine Community School District**

**Combining Statement of Changes in Fiduciary Net Position**

**Fiduciary Funds- Custodial Funds**

**Year Ended June 30, 2021**

	Custodial		Total
	Insurance Fund	ECIMC Fiscal Agent Fund	
Additions:			
Local sources, other:			
Net investment income	\$ 69,367	\$ 369,524	\$ 438,891
<b>Total additions</b>	<b>69,367</b>	<b>369,524</b>	<b>438,891</b>
Deductions, current,			
Administrative expenses	61,866	354,963	416,829
<b>Change in net position</b>	<b>7,501</b>	<b>14,561</b>	<b>22,062</b>
Net position, beginning of year	12,155	80,960	93,115
Net position, end of year	\$ 19,656	\$ 95,521	\$ 115,177

**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:			
	2021	2020	2019	2018
Revenues:				
Local sources:				
Local tax	\$ 18,959,719	\$ 18,924,223	\$ 19,843,188	\$ 19,478,972
Tuition	562,040	622,077	503,304	533,893
Other	1,643,106	2,176,011	1,529,784	1,394,914
State sources	42,198,775	42,025,483	41,480,237	41,575,834
Federal sources	3,301,861	1,886,347	2,325,347	2,151,907
<b>Total revenues</b>	<b>\$ 66,665,501</b>	<b>\$ 65,634,141</b>	<b>\$ 65,681,860</b>	<b>\$ 65,135,520</b>
Expenditures:				
Instruction	\$ 37,726,518	\$ 39,639,483	\$ 39,501,315	\$ 38,155,452
Support services:				
Student services	2,289,440	2,251,659	2,403,268	2,213,283
Instructional staff services	2,766,544	2,431,121	2,482,642	2,993,896
Administration services	6,174,406	6,673,957	6,516,189	6,437,236
Operation and maintenance of plant services	6,042,770	5,569,627	5,737,353	5,259,618
Transportation services	1,946,085	1,933,584	2,483,398	1,545,824
Noninstructional programs	36,740	46,318	60,260	71,401
Other expenditures:				
Facilities acquisition	2,046,244	15,042,686	4,324,155	3,515,809
Long-term debt:				
Principal	446,152	472,118	-	-
Interest and fiscal charges	25,966	-	-	-
AEA flowthrough	2,245,266	2,234,604	2,223,267	2,232,030
<b>Total expenditures</b>	<b>\$ 61,746,131</b>	<b>\$ 76,295,157</b>	<b>\$ 65,731,847</b>	<b>\$ 62,424,549</b>

Years Ended June 30:						
2017	2016	2015	2014	2013	2012	
\$ 19,791,734	\$ 19,494,605	\$ 18,628,986	\$ 18,320,746	\$ 22,530,785	\$ 20,665,245	
632,257	453,670	530,347	583,016	621,193	789,295	
1,242,727	1,237,625	1,317,747	1,412,458	1,486,224	1,627,100	
42,429,101	42,794,193	42,383,472	38,595,124	32,010,126	32,853,112	
2,261,820	2,040,564	2,430,675	2,441,180	2,120,614	3,043,064	
<u>\$ 66,357,639</u>	<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>	
\$ 39,889,517	\$ 39,758,470	\$ 37,509,233	\$ 36,426,501	\$ 36,254,296	\$ 35,679,780	
1,605,362	1,551,908	1,642,590	1,641,603	1,646,917	1,543,182	
1,053,761	1,065,752	1,523,383	1,378,893	1,281,373	3,366,854	
7,172,972	6,339,083	6,456,225	6,340,544	6,119,304	7,537,234	
5,172,014	4,889,562	4,928,889	5,355,512	5,010,283	4,869,282	
1,966,010	1,765,709	1,912,098	1,841,780	1,750,580	1,685,575	
80,057	74,045	62,880	181,691	11,404	14,007	
3,666,962	2,208,369	9,609,011	5,030,721	7,081,218	3,690,720	
-	-	607,138	596,507	610,484	-	
-	-	10,829	21,460	31,900	-	
2,188,667	2,227,592	2,207,805	2,100,120	2,010,185	1,998,046	
<u>\$ 62,795,322</u>	<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>	

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**Muscatine Community School District**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021**

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>Indirect:</b>				
<b>U.S. Department of Agriculture:</b>				
Pass-Through Iowa Department of Education:				
<i>Child Nutrition Cluster Program:</i>				
School Breakfast Program	10.553	FY21 4552	\$ -	\$ 66
COVID-19 Child Nutrition Program CARES Grants to States	10.555	FY21 4056	-	404,754
Commodities -DOD (Noncash)	10.555	FY21	-	177,495
Commodities (Noncash)	10.555	FY21	-	19,942
			-	602,191
Summer Food Service Program for Children	10.559	FY21 4556	-	2,635,745
Child Nutrition Cluster Program Total			-	3,238,002
Fresh Fruit and Vegetable Program	10.582	FY21 4557	-	79,897
<b>Total U.S. Department of Agriculture</b>			-	<b>3,317,899</b>
<b>U.S. Department of Treasury:</b>				
Pass-Through Eastern Iowa Mental Health:				
COVID-19 Coronavirus Relief Fund	21.019	FY21 4059	-	46,238
<b>Total U.S. Department of Treasury</b>			-	<b>46,238</b>
<b>U.S. Department of Education:</b>				
Pass-Through Iowa Department of Education:				
Title I Grants to Local Educational Agencies	84.010	FY21 4501	-	1,100,046
<i>Special Education IDEA Cluster,</i>				
Special Education - Grants to States (IDEA, Part B)	84.027	FY21 4525	-	61,118 (1)
English Language Acquisition State Grants	84.048	FY21 4531	-	56,282
Supporting Effective Instruction State Grants	84.367	FY21 4643	-	183,515
Student Support and Academic Enrichment (Title IV)	84.424	FY21 4669	-	52,541
Education Stabilization Fund:				
COVID-19 Governor's Emergency Education Relief Fund (GEERF)	84.425C	FY21 4051	-	270,400
COVID-19 Elementary and Secondary School Emergency Relief (ESSER I) Fund	84.425D	FY21 4052	-	722,484
COVID-19 Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	FY21 4055	-	139,078
			-	861,562
COVID-19 Elementary and Secondary School Emergency Relief (ESSER III) Fund	84.425U	FY21 4043	-	148,134
COVID-19 Elementary and Secondary School Emergency Relief (ESSER III) Fund	84.425U	FY21 4045	-	5,771
			-	153,905
<b>Total Education Stabilization Fund</b>			-	<b>1,285,867</b>
Pass-Through Mississippi Bend Area Education Agency:				
<i>Special Education IDEA Cluster,</i>				
Special Education - Grants to States (IDEA, Part B)	84.027	FY21 4521	-	231,836 (1)
<b>Total U.S. Department of Education</b>			-	<b>2,971,205</b>
<b>U.S. Department of Health and Human Services</b>				
Pass-Through Iowa Department of Education:				
Developmental Disabilities Projects of National Significance	93.631	FY21 4623	-	122
<b>Total Expenditures of Federal Awards</b>			\$ -	<b>\$ 6,335,464</b>

(1) Total CFDA No. 84.027 \$292,954

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, 2021

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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, 2021. 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.

#### **Note 4. Donated Personal Protection Equipment (Unaudited)**

The District received \$69,154 in donated personal protective equipment from the state of Iowa.



**Muscatine Community School District**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2021**

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Findings	Status	Reason for Recurrence and Corrective Action Plan or Other Explanation
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**Other Findings Related to Required Statutory Reporting:**

IV-A-20	Expenditures exceeded the certified budget in the instruction, support services and noninstructional programs, and other functions.	Corrected.	Data was not timely updated. See response and corrective action plan at IV-H-21
IV-B-20	The District did not obtain quotes or a competitive request for proposal.	Corrected.	
IV-G-20	There were variances in certified enrollment.	Not corrected.	
IV-H-20	There were variances in supplementary weighting.	Corrected.	



**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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated ~~Revised August 17, 2022~~ ~~August 17, 2022~~.

**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, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## **District's Response to Findings**

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

## **Purpose of this Report**

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

*Bohnsack & Frommelt LLP*

Moline, Illinois  
January 28, 2022

**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, 2021. 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, 2021.

## 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.

*Bohnsack & Frommelt LLP*

Moline, Illinois  
January 28, 2022

**Muscatine Community School District**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2021**

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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
84.010	Title I Grants to Local Educational Agencies
Education Stabilization Fund:	
84.425C	COVID-19 Governor's Emergency Education Relief Fund (GEERF)
84.425D	COVID-19 Elementary and Secondary School Emergency Relief (ESSER I & ESSER II) Fund
84.425U	COVID-19 Elementary and Secondary School Emergency Relief (ESSER III) Fund

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, 2021**

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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-21**

Certified Budget – Expenditures for the year ended June 30, 2021, did not exceed the amounts budgeted at year-end.

**IV-B-21**

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.

**IV-C-21**

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-21**

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

**IV-E-21**

Restricted Donor Activity- No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

**IV-F-21**

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-G-21**

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

(Continued)

**Muscatine Community School District**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2021**

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**IV-H-21**

Certified Enrollment-

Finding: There were variances to the October 2020 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-I-21**

Supplementary Weighting – There were no variances to the October 2020 supplementary weighting data submitted to the Department of Education.

**IV-J-21**

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-K-21**

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

**IV-L-21**

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

**Muscatine Community School District**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2021**

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**IV-M-21**

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, 2021, the District reported the following information regarding the statewide sales and services tax revenue in the District's CAR:

Beginning balance	\$	1,818,964
Revenue / transfers in:		
Statewide sales and services tax revenue		4,806,557
Interest and other		1,191
Expenditures/transfers out:		
Instruction		854
Operation and maintenance of plant services		129,316
School infrastructure:		
Buildings		1,082,230
Ending balance	\$	<u>5,414,312</u>

For the year ended June 30, 2021, the District reduced the tax levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa as follows:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 3.61000	\$ 4,806,557



Muscatine Community School District  
2900 Mulberry Ave  
Muscatine, Iowa 52761

Phone:  
(563) 263-7223

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**Muscatine Community School District**

**Corrective Action Plan  
Year Ended June 30, 2021**

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Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
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**Other Findings Related to Required Statutory Reporting:**

IV-H-21	There were variances in certified enrollment.	See response and corrective action plan at IV-H-21	Fiscal Year 2022	Scott Comstock
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