

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Funds Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-45
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		48
Notes to Required Supplementary Information - Budgetary Reporting		49
Schedule of the District's Proportionate Share of the Net Pension Liability		50
Schedule of District Contributions		51
Notes to Required Supplementary Information - Pension Liability		52
Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes		53
Component Unit Financial Statements:		
Schedule of Assets, Liabilities and Net Position - Cash Basis		54
Schedule of Revenues, Expenses and Changes in Net Position - Cash Basis		55
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds		
Combining Balance Sheet	1	58
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	59
Capital Projects Fund Accounts:		
Combining Balance Sheet	3	60
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	61
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	62
Internal Service Funds:		
Combining Statement of Net Position	6	63
Combining Schedule of Revenues, Expenditures and Changes in Fund Net Position	7	64
Combining Schedule of Cash Flows	8	65
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	9	66
Schedule of Expenditures of Federal Awards	10	67
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 <u>Government Auditing Standards</u>		68-69
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance		70-71
Schedule of Findings and Questioned Costs		72-75

Independence Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Eric Smith	President	2023
Kim Hansen	Vice President	2023
Jennifer Sornson	Board Member	2021
Gina Trimble	Board Member	2021
Matt O'Loughlin	Board Member (Resigned May 2021)	2023
Brad Bleichner	Board Member (Appointed June 2021)	2021
School Officials		
Russel Reiter	Superintendent	2021
Laura Morine	Director of Finance/ Board Secretary	2021
Ahlers & Cooney, P.C.	Attorney	2021

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report

To the Board of Education of Independence Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Independence Community School District, Independence, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

The financial statements of Mustang Foundation have not been audited, and we were not engaged to audit the Mustang Foundation financial statements as part of our audit of Independence Community School District's basic financial statements. The Mustang Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Mustang Foundation's financial statements and because we did not apply any auditing procedures to the Mustang Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Qualified
General Fund	Unmodified
Capital Projects Fund	Unmodified
Debt Service Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Unit

The financial statements of the Mustang Foundation have not been audited, and we were not engaged to audit the Mustang Foundation as part of our audit of the District's basic financial statements. The Mustang Foundation's financial activities are included in the District's basic financial statements as a discretely presented component unit.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above present fairly in all material respects, the financial position of the aggregate discretely presented component units of Independence Community School District as of June 30, 2021, and the changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Unmodified 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 Independence 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 U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes and the combining statements for the discretely presented component unit on pages 7 through 16 and 48 through 55 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 which considers it an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Independence Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the Schedule of Federal Awards, is the responsibility of management and was derived from and relates 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information, including the Schedule of Federal Awards, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 3, 2022, on our consideration of Independence Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Independence Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

May 3, 2022
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Independence 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.

2021 FINANCIAL HIGHLIGHTS

- The District's total net position increased from \$19,076,238 at June 30, 2020 to \$21,084,547 at June 30, 2021. Total revenues increased from \$22,548,291 in fiscal year 2020 to \$23,250,009 in fiscal year 2021, a 3.11% increase, while total expenses increased from \$20,792,339 in fiscal year 2020 to \$21,241,700 in fiscal year 2021, a 2.16% increase, compared to the prior year.
- General Fund revenues increased from \$17,739,701 in fiscal year 2020 to \$18,447,330 in fiscal year 2021, while General Fund expenditures increased from \$17,073,679 in fiscal year 2020 to \$17,341,266 in fiscal year 2021. The District's General Fund balance increased from \$3,712,346 at June 30, 2020 to \$4,818,410 at June 30, 2021.
- The increase in General Fund revenues was largely attributable to the increase in federal and state funding revenue received compared to the previous year. The increase in expenditures was primarily attributable to an increase in regular instruction expenditures compared to the prior year.

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 Independence Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services and business type activities were financed in the short term as well as what remains for future spending. Fund financial statements report Independence Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Independence Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes, and financial statements for the discretely presented component unit.

Supplementary Information provides detailed information about the nonmajor governmental funds and combining schedules for the Capital Projects Fund accounts and the District's Internal Service Funds.

In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the District.

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

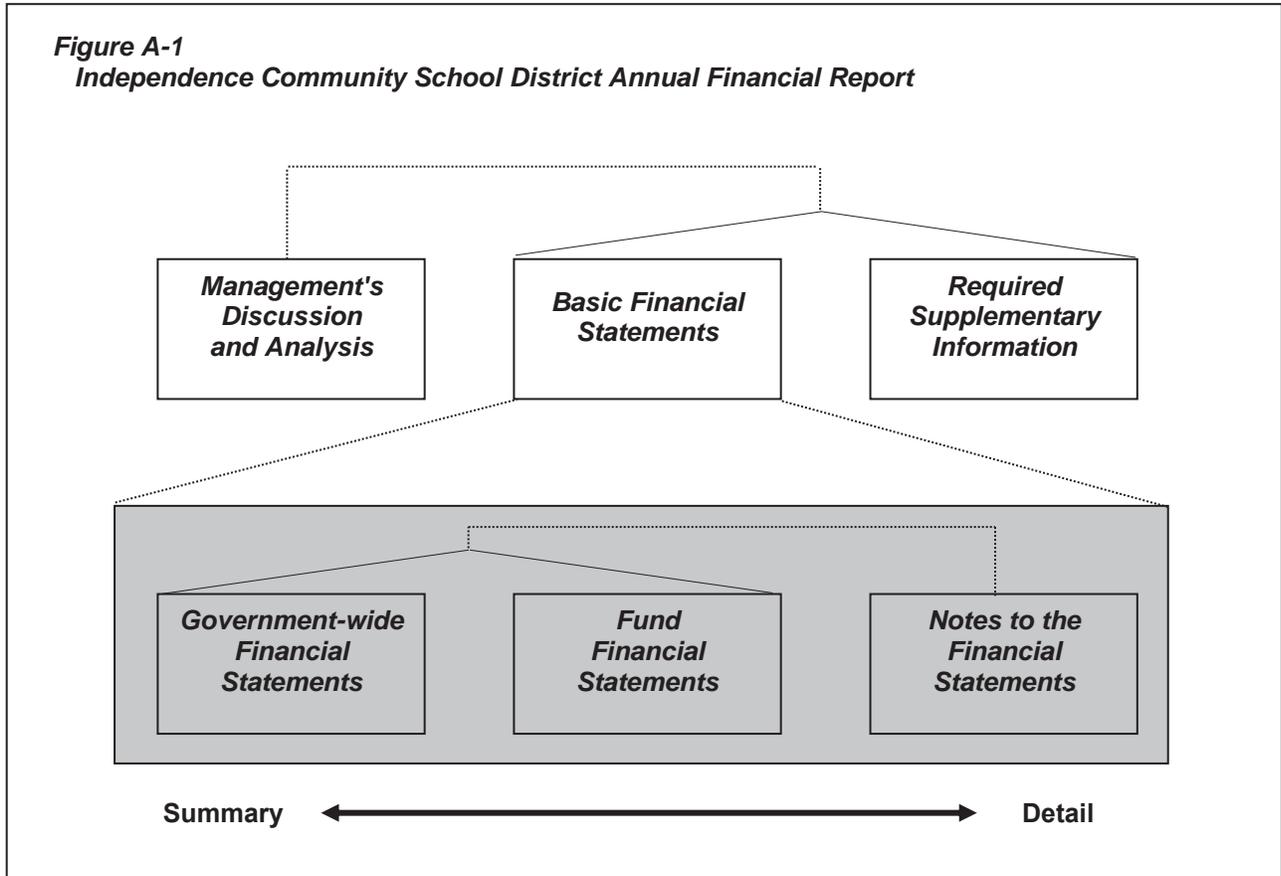


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service,	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> · Statement of net position · Statement of activities 	<ul style="list-style-type: none"> · Balance sheet · Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> · Statement of net position · Statement of revenues, expenses and changes in fund net position · Statement of cash flows 	<ul style="list-style-type: none"> · 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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into three categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component unit:* The Mustang Foundation was created to financially support the Independence Community School District and provide post high school scholarship support to graduates of the school.

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.

The District's governmental funds include the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District's Internal Service Funds, another type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has two Internal Service Fund accounts accounting for self-funded insurance and employee flex benefits.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Custodial Fund.
 - Custodial Fund - These are funds through which the District administers and accounts for certain revenue collected for District employee purchases.

The District is responsible for ensuring that 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 include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2021	2020	2021	2020	2021	2020	2020-21
Current and other assets	\$ 19,562,322	20,606,461	405,573	218,056	19,967,895	20,824,517	-4.11%
Capital assets	33,251,930	31,492,849	178,853	217,331	33,430,783	31,710,180	5.43%
Total assets	<u>52,814,252</u>	<u>52,099,310</u>	<u>584,426</u>	<u>435,387</u>	<u>53,398,678</u>	<u>52,534,697</u>	<u>1.64%</u>
Deferred outflows of resources	2,048,579	1,967,465	47,160	44,321	2,095,739	2,011,786	4.17%
Long-term liabilities	23,677,891	24,536,195	231,693	208,463	23,909,584	24,744,658	-3.37%
Other liabilities	2,909,927	2,183,087	78,223	69,476	2,988,150	2,252,563	32.66%
Total liabilities	<u>26,587,818</u>	<u>26,719,282</u>	<u>309,916</u>	<u>277,939</u>	<u>26,897,734</u>	<u>26,997,221</u>	<u>-0.37%</u>
Deferred inflows of resources	7,495,729	8,441,604	16,407	31,420	7,512,136	8,473,024	-11.34%
Net position:							
Net investment in capital assets	21,369,015	19,672,788	178,853	217,331	21,547,868	19,890,119	8.33%
Restricted	1,970,063	2,588,568	-	-	1,970,063	2,588,568	-23.89%
Unrestricted	(2,559,794)	(3,355,467)	126,410	(46,982)	(2,433,384)	(3,402,449)	28.48%
Total net position	<u>\$ 20,779,284</u>	<u>18,905,889</u>	<u>305,263</u>	<u>170,349</u>	<u>21,084,547</u>	<u>19,076,238</u>	<u>10.53%</u>

The District's total net position increased by 10.53%, or \$2,008,309, from the prior year.

The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$618,505, or 23.89% from the prior year. This was primarily a result of a decrease in the amounts restricted for school infrastructure.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$969,065 or 28.48%. This increase in unrestricted net position was primarily a result of the increase in the unassigned General Fund balance compared to the prior year.

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 District		Total Change
	2021	2020	2021	2020	2021	2020	2020-21
Revenues:							
Program revenues:							
Charges for service	\$ 1,374,500	1,298,651	108,715	301,347	1,483,215	1,599,998	-7.30%
Operating grants, contributions and restricted interest	2,008,448	1,646,690	774,971	419,206	2,783,419	2,065,896	34.73%
Capital grants, contributions and restricted interest	22,085	118,631	-	-	22,085	118,631	-81.38%
General revenues:							
Property tax	7,104,562	7,003,573	-	-	7,104,562	7,003,573	1.44%
Income surtax	751,148	775,616	-	-	751,148	775,616	-3.15%
Statewide sales, services and use tax	1,424,640	1,489,403	-	-	1,424,640	1,489,403	-4.35%
Unrestricted state grants	9,492,919	9,284,921	-	-	9,492,919	9,284,921	2.24%
Unrestricted investment earnings	66,868	95,670	546	725	67,414	96,395	-30.06%
Other	119,027	110,866	1,580	2,992	120,607	113,858	5.93%
Total revenues	22,364,197	21,824,021	885,812	724,270	23,250,009	22,548,291	3.11%
Program expenses:							
Instruction	12,917,844	12,211,927	-	-	12,917,844	12,211,927	5.78%
Support services	5,659,052	5,933,836	-	-	5,659,052	5,933,836	-4.63%
Non-instructional programs	-	-	750,898	697,585	750,898	697,585	7.64%
Other expenses	1,913,906	1,948,991	-	-	1,913,906	1,948,991	-1.80%
Total expenses	20,490,802	20,094,754	750,898	697,585	21,241,700	20,792,339	2.16%
Change in net position	1,873,395	1,729,267	134,914	26,685	2,008,309	1,755,952	14.37%
Net position beginning of year	18,905,889	17,176,622	170,349	143,664	19,076,238	17,320,286	10.14%
Net position end of year	\$ 20,779,284	18,905,889	305,263	170,349	21,084,547	19,076,238	10.53%

In fiscal year 2021, property tax and unrestricted state grants accounted for 74.21% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.76% of business type activities revenues. The District's total revenues were approximately \$23.25 million, of which approximately \$22.36 million was for governmental activities and approximately \$0.89 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.11% increase in revenues and a 2.16% increase in expenses. Operating grants, contributions and restricted interest revenues increased \$717,523 from the prior year contributing to the increase in total revenues. The increase in expenses occurred primarily in the instruction function.

Governmental Activities

Governmental activities revenues were \$22,364,197 and expenses were \$20,490,802 for the year ended June 30, 2021.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2021 compared to those expenses for the year ended June 30, 2020.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2021	2020	Change 2020-21	2021	2020	Change 2020-21
Instruction	\$ 12,917,844	12,211,927	5.78%	10,552,521	10,092,173	4.56%
Support services	5,659,052	5,933,836	-4.63%	5,316,826	5,671,977	-6.26%
Other expenses	1,913,906	1,948,991	-1.80%	1,216,422	1,266,632	-3.96%
Total	<u>\$ 20,490,802</u>	<u>20,094,754</u>	<u>1.97%</u>	<u>17,085,769</u>	<u>17,030,782</u>	<u>0.32%</u>

For the year ended June 30, 2021:

- The cost financed by users of the District's programs was \$1,374,500.
- Federal and state governments along with donations from local sources subsidized certain programs with grants and contributions totaling \$2,030,533.
- The net cost of governmental activities was financed with \$7,104,562 in property tax, \$751,148 in income surtax, \$1,424,640 in statewide sales, services and use tax, \$9,492,919 in unrestricted state grants, \$66,868 in interest income and \$119,027 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$885,812 and expenses were \$750,898 for the year ended June 30, 2021. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, Independence 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 \$8,093,420, below last year's ending fund balances of \$9,618,349. The decrease is primarily a result of a decrease in fund balance of the Capital Projects Fund during fiscal year 2021.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in revenue from federal and state sources led to an increase in total revenues. Expenditures for regular instruction increased \$201,155 compared to the prior year contributing to the increase in total expenditures. The General Fund balance increased from \$3,712,346 at June 30, 2020 to \$4,818,410 at June 30, 2021.
- The District's Capital Projects Fund balance decreased from \$5,170,109 at June 30, 2020 to \$2,392,610 at June 30, 2021.
- The District's Debt Service Fund balance decreased from \$172,331 at June 30, 2020 to \$167,712 at June 30, 2021.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$170,349 at June 30, 2020 to \$305,263 at June 30, 2021, representing an increase of 79.20%. The increase in net position was primarily due to an increase in revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, Independence Community School District amended its budget one time to reflect additional expenditures associated with the instruction and other expenditures functional area.

The District's revenues were \$416,351 more than budgeted revenues, a variance of 1.82%. The most significant variance resulted from the District receiving more from federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, expenditures in the other expenditures functional area exceeded the amounts budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had invested \$33,430,783, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 5.43% from last year. More detailed information about the District's capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,151,549.

The original cost of the District's capital assets was approximately \$45.24 million. Governmental activities accounted for approximately \$44.58 million with the remainder of approximately \$0.66 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress, net of accumulated depreciation, totaled \$2,254,018 at June 30, 2021, compared to \$119,671 at June 30, 2020. This increase is the result of the start of the west elementary remodel and addition project.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2021	2020	2021	2020	2021	2020	2020-21
Land	\$ 1,031,353	1,031,353	-	-	1,031,353	1,031,353	0.00%
Construction in progress	2,254,018	119,671	-	-	2,254,018	119,671	1783.51%
Buildings	25,728,521	26,089,398	-	-	25,728,521	26,089,398	-1.38%
Land improvements	3,385,493	3,486,155	-	-	3,385,493	3,486,155	-2.89%
Machinery and equipment	852,545	766,272	178,853	217,331	1,031,398	983,603	4.86%
Total	\$ 33,251,930	31,492,849	178,853	217,331	33,430,783	31,710,180	5.43%

Long-Term Debt

At June 30, 2021, the District had \$13,733,000 in total long-term debt outstanding. This represents a decrease of 13.09% from last year. (See Figure A-7) More detailed information about the District's long-term debt is available in Note 5 to the financial statements.

The District had outstanding general obligation bonded indebtedness at June 30, 2021 of \$4,678,000 payable from the Debt Service Fund.

The District had outstanding revenue bonded indebtedness at June 30, 2021 of \$9,055,000 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Figure A-7			
Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2021	2020	2020-21
General obligation bonds	\$ 4,678,000	5,851,000	-20.05%
Revenue bonds	9,055,000	9,950,000	-8.99%
Total	<u>\$ 13,733,000</u>	<u>15,801,000</u>	<u>-13.09%</u>

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:

- Inadequate state funding will continue to exert pressure on District finances to meet personnel, facility and transportation needs.
- Settlements in excess of "new money" or allowable growth in state funding for contracts will have an adverse effect on the District's General Fund budget and reserve fund balance.
- Student enrollment continues to fluctuate year to year. Certified enrollment October 1, 2020(for fiscal 2022 funding) was 1390.68, a decrease of 35.99 students from October 1, 2019. The General Fund state funding formula dollars are based on these enrollment numbers.
- The District's operational sharing numbers remain at 15, a maximum of 21, even though we added a shared position of a social worker. The formula decreased by one for each: Human Resources, Transportation and Grounds/Maintenance directors. The District is still sharing other positions with neighboring districts to share salary and benefit expenses. The District will also continue to look at ways to improve efficiencies.
- The District continues to look for new revenue streams while closely monitoring expenditures.
- The District has received significant Federal and State funding for ESSER that has allowed the district to add teaching positions and also supplant our budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, 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 Laura Morine, Director of Finance/Board Secretary, Independence Community School District, 1207 1st Street West, Independence, Iowa, 50644.

Basic Financial Statements

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

EXHIBIT A

	Primary Government			Component Unit
	Governmental	Business Type	Total	Mustang
	Activities	Activities		Foundation*
Assets				
Cash and pooled investments	\$ 10,986,619	391,045	11,377,664	1,051,272
Receivables:				
Property tax:				
Delinquent	76,385	-	76,385	
Succeeding year	6,665,314	-	6,665,314	-
Income surtax	679,742	-	679,742	-
Accounts	96,777	-	96,777	-
Due from other governments	1,057,485	1,366	1,058,851	
Inventories	-	13,162	13,162	-
Capital assets not being depreciated:				
Land and construction in progress	3,285,371	-	3,285,371	-
Capital assets, net of accumulated depreciation:				
Buildings and land improvements and machinery and equipment	29,966,559	178,853	30,145,412	-
Total assets	52,814,252	584,426	53,398,678	1,051,272
Deferred Outflows of Resources				
Pension related deferred outflows	1,931,831	42,409	1,974,240	-
OPEB related deferred outflows	116,748	4,751	121,499	-
Total deferred outflows of resources	2,048,579	47,160	2,095,739	-
Liabilities				
Accounts payable	1,168,839	723	1,169,562	-
Salaries and benefits payable	1,726,508	40,222	1,766,730	-
Accrued interest payable	14,580	-	14,580	-
Unearned revenue	-	37,278	37,278	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	905,000	-	905,000	-
Revenue bonds	925,000	-	925,000	-
Termination benefits payable	78,563	-	78,563	-
Compensated absences	96,977	-	96,977	-
Portion due after one year:				
General obligation bonds	3,773,000	-	3,773,000	-
Revenue bonds	8,130,000	-	8,130,000	-
Net pension liability	8,618,851	184,878	8,803,729	-
Total OPEB liability	1,150,500	46,815	1,197,315	-
Total liabilities	26,587,818	309,916	26,897,734	-
Deferred Inflows of Resources				
Unavailable property tax revenue	6,665,314	-	6,665,314	-
Pension related deferred inflows	652,591	13,998	666,589	-
OPEB related deferred inflows	59,204	2,409	61,613	-
Other	118,620	-	118,620	-
Total deferred inflows of resources	7,495,729	16,407	7,512,136	-
Net Position				
Net investment in capital assets	21,369,015	178,853	21,547,868	-
Restricted for:				
Categorical funding	638,281	-	638,281	-
Debt service	153,132	-	153,132	-
Management levy purposes	453,801	-	453,801	-
Student activities	182,324	-	182,324	-
School infrastructure	516,096	-	516,096	-
Physical plant and equipment	26,429	-	26,429	-
Unrestricted	(2,559,794)	126,410	(2,433,384)	1,051,272
Total net position	\$ 20,779,284	305,263	21,084,547	1,051,272

* Year end for the Mustang Foundation was December 31, 2020.

SEE NOTES TO FINANCIAL STATEMENTS.

**INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Mustang Foundation*
	Expenses	Charges for Service	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total	
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 7,329,842	659,034	284,106	-	(6,386,702)	-	(6,386,702)	-
Special	2,461,594	412,140	91,161	-	(1,958,293)	-	(1,958,293)	-
Other	3,126,408	240,374	678,508	-	(2,207,526)	-	(2,207,526)	-
	<u>12,917,844</u>	<u>1,311,548</u>	<u>1,053,775</u>	<u>-</u>	<u>(10,552,521)</u>	<u>-</u>	<u>(10,552,521)</u>	<u>-</u>
Support services:								
Student	660,619	-	89,641	-	(570,978)	-	(570,978)	-
Instructional staff	828,444	-	1,041	-	(827,403)	-	(827,403)	-
Administration	1,889,094	13,505	20,096	-	(1,855,493)	-	(1,855,493)	-
Operation and maintenance of plant	1,465,977	-	68,569	-	(1,397,408)	-	(1,397,408)	-
Transportation	814,918	49,447	77,842	22,085	(665,544)	-	(665,544)	-
	<u>5,659,052</u>	<u>62,952</u>	<u>257,189</u>	<u>22,085</u>	<u>(5,316,826)</u>	<u>-</u>	<u>(5,316,826)</u>	<u>-</u>
Long-term debt interest	350,013	-	-	-	(350,013)	-	(350,013)	-
Other expenditures:								
AEA flowthrough	697,484	-	697,484	-	-	-	-	-
Depreciation (unallocated)**	866,409	-	-	-	(866,409)	-	(866,409)	-
	<u>1,563,893</u>	<u>-</u>	<u>697,484</u>	<u>-</u>	<u>(866,409)</u>	<u>-</u>	<u>(866,409)</u>	<u>-</u>
Total governmental activities	<u>20,490,802</u>	<u>1,374,500</u>	<u>2,008,448</u>	<u>22,085</u>	<u>(17,085,769)</u>	<u>-</u>	<u>(17,085,769)</u>	<u>-</u>
Business type activities:								
Non-instructional programs:								
Food service operations	750,898	108,715	774,971	-	-	132,788	132,788	-
Total	<u>\$ 21,241,700</u>	<u>1,483,215</u>	<u>2,783,419</u>	<u>22,085</u>	<u>(17,085,769)</u>	<u>132,788</u>	<u>(16,952,981)</u>	<u>-</u>
Total component unit	<u>\$ 92,739</u>	<u>97,301</u>	<u>116,475</u>	<u>-</u>				<u>121,037</u>
General Revenues:								
Property tax levied for:								
General purposes					\$ 5,457,048	-	5,457,048	-
Debt service					1,296,037	-	1,296,037	-
Capital outlay					351,477	-	351,477	-
Income surtax					751,148	-	751,148	-
Statewide sales, services and use tax					1,424,640	-	1,424,640	-
Unrestricted state grants					9,492,919	-	9,492,919	-
Unrestricted investment earnings					66,868	546	67,414	10,530
Other					119,027	1,580	120,607	565,453
Total general revenues					<u>18,959,164</u>	<u>2,126</u>	<u>18,961,290</u>	<u>575,983</u>
Change in net position					1,873,395	134,914	2,008,309	697,020
Net position beginning of year					18,905,889	170,349	19,076,238	354,252
Net position end of year					<u>\$ 20,779,284</u>	<u>305,263</u>	<u>21,084,547</u>	<u>1,051,272</u>

* Year end for the Mustang Foundation was December 31, 2020.

** This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 6,206,568	2,853,616	155,314	660,581	9,876,079
Receivables:					
Property tax:					
Delinquent	53,075	3,755	13,848	5,707	76,385
Succeeding year	4,885,462	362,372	992,478	425,002	6,665,314
Income surtax	679,742	-	-	-	679,742
Accounts	5,947	33,410	-	57,420	96,777
Due from other governments	936,455	119,230	-	1,800	1,057,485
Total assets	\$ 12,767,249	3,372,383	1,161,640	1,150,510	18,451,782
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 538,507	617,401	1,450	10,820	1,168,178
Salaries and benefits payable	1,726,508	-	-	-	1,726,508
Total liabilities	2,265,015	617,401	1,450	10,820	2,894,686
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	4,885,462	362,372	992,478	425,002	6,665,314
Income surtax	679,742	-	-	-	679,742
Other	118,620	-	-	-	118,620
Total deferred inflows of resources	5,683,824	362,372	992,478	425,002	7,463,676
Fund balances:					
Restricted for:					
Categorical funding	638,281	-	-	-	638,281
Debt service	-	-	167,712	-	167,712
Management levy purposes	-	-	-	532,364	532,364
Student activities	-	-	-	182,324	182,324
School infrastructure	-	2,366,181	-	-	2,366,181
Physical plant and equipment	-	26,429	-	-	26,429
Unassigned	4,180,129	-	-	-	4,180,129
Total fund balances	4,818,410	2,392,610	167,712	714,688	8,093,420
Total liabilities, deferred inflows of resources and fund balances	\$ 12,767,249	3,372,383	1,161,640	1,150,510	18,451,782

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2021

Total fund balances of governmental funds (page 20)		\$ 8,093,420
 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.		33,251,930
Accounts receivable income surtax is not available to finance expenditures of the current year and, therefore, is recognized as deferred inflows of resources in the governmental funds.		679,742
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the government funds.		(14,580)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		1,109,879
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 2,048,579	
Deferred inflows of resources	<u>(711,795)</u>	1,336,784
Long-term liabilities, including bonds, termination benefits, compensated absences payable, net pension liability, and total OPEB liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(23,677,891)</u>
Net position of governmental activities (page 18)		<u><u>\$ 20,779,284</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 5,695,353	351,477	1,296,037	529,725	7,872,592
Tuition	981,765	-	-	-	981,765
Other	309,555	24,669	3,923	278,207	616,354
State sources	10,552,853	1,439,224	21,201	8,960	12,022,238
Federal sources	874,879	13,251	-	-	888,130
Total revenues	<u>18,414,405</u>	<u>1,828,621</u>	<u>1,321,161</u>	<u>816,892</u>	<u>22,381,079</u>
Expenditures:					
Current:					
Instruction:					
Regular	6,415,231	604,105	-	78,384	7,097,720
Special	2,386,700	-	-	-	2,386,700
Other	2,786,164	8,340	-	245,854	3,040,358
	<u>11,588,095</u>	<u>612,445</u>	<u>-</u>	<u>324,238</u>	<u>12,524,778</u>
Support services:					
Student	645,960	-	-	-	645,960
Instructional staff	806,687	1,220	-	-	807,907
Administration	1,737,016	83,263	-	90,289	1,910,568
Operation and maintenance of plant	1,250,231	51,642	-	205,504	1,507,377
Transportation	615,793	295,706	-	45,736	957,235
	<u>5,055,687</u>	<u>431,831</u>	<u>-</u>	<u>341,529</u>	<u>5,829,047</u>
Capital outlay	-	2,474,304	-	-	2,474,304
Long-term debt:					
Principal	-	-	2,068,000	-	2,068,000
Interest and fiscal charges	-	-	346,019	-	346,019
	<u>-</u>	<u>-</u>	<u>2,414,019</u>	<u>-</u>	<u>2,414,019</u>
Other expenditures:					
AEA flowthrough	697,484	-	-	-	697,484
Total expenditures	<u>17,341,266</u>	<u>3,518,580</u>	<u>2,414,019</u>	<u>665,767</u>	<u>23,939,632</u>
Excess (Deficiency) of revenues over (under) expenditures	1,073,139	(1,689,959)	(1,092,858)	151,125	(1,558,553)
Other financing sources (uses):					
Insurance proceeds	32,925	699	-	-	33,624
Transfer in	-	-	1,088,239	-	1,088,239
Transfer out	-	(1,088,239)	-	-	(1,088,239)
Total other financing sources (uses)	<u>32,925</u>	<u>(1,087,540)</u>	<u>1,088,239</u>	<u>-</u>	<u>33,624</u>
Change in fund balances	1,106,064	(2,777,499)	(4,619)	151,125	(1,524,929)
Fund balances beginning of year	3,712,346	5,170,109	172,331	563,563	9,618,349
Fund balances end of year	<u>\$ 4,818,410</u>	<u>2,392,610</u>	<u>167,712</u>	<u>714,688</u>	<u>8,093,420</u>

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE 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

Change in fund balances - total governmental funds (page 22) \$ (1,524,929)

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 Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Capital outlay	\$ 2,872,152	
Depreciation expense	<u>(1,113,071)</u>	1,759,081

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (16,882)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in Statement of Net Position. 2,068,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (3,994)

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance on an entity-wide basis. 31,307

The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 929,049

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:

Termination benefits	(78,563)	
Compensated absences	2,360	
Pension expense	(1,237,397)	
Total OPEB liability and related expenses	<u>(54,637)</u>	(1,368,237)

Change in net position of governmental activities (page 19) \$ 1,873,395

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business Type Activities: Enterprise Funds	Governmental Activities: Internal Service Funds
	School Nutrition	
Assets		
Current assets:		
Cash and pooled investments	\$ 391,045	1,110,540
Due from other governments	1,366	-
Inventories	13,162	-
Total current assets	405,573	1,110,540
Noncurrent assets:		
Capital assets, net of accumulated depreciation	178,853	-
Total assets	584,426	1,110,540
Deferred Outflows of Resources		
Pension related deferred outflows	42,409	-
OPEB related deferred outflows	4,751	-
Total Deferred Outflows of Resources	47,160	-
Liabilities		
Current liabilities:		
Accounts payable	723	661
Salaries and benefits payable	40,222	-
Unearned revenue	37,278	-
Total current liabilities	78,223	661
Noncurrent liabilities:		
Net pension liability	184,878	-
Total OPEB liability	46,815	-
Total noncurrent liabilities	231,693	-
Total liabilities	309,916	661
Deferred Inflows of Resources		
Pension related deferred inflows	13,998	-
OPEB related deferred inflows	2,409	-
Total Deferred Inflows of Resources	16,407	-
Net Position		
Net investment in capital assets	178,853	-
Unrestricted	126,410	1,109,879
Total net position	\$ 305,263	1,109,879

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Business Type Activities:	
	Enterprise Funds	Governmental Activities:
	School Nutrition	Internal Service Funds
Operating revenues:		
Local sources:		
Charges for service	\$ 108,715	-
Miscellaneous	1,580	341,063
Total operating revenues	<u>110,295</u>	<u>341,063</u>
Operating expenses:		
Instruction:		
Regular:		
Benefits	-	134,547
Support Services:		
Student:		
Benefits	-	76,842
Services	-	6,455
Supplies	-	1,930
	<u>-</u>	<u>85,227</u>
Instructional staff:		
Benefits	-	14,066
Administration:		
Benefits	-	59,624
Operation and maintenance of plant:		
Benefits	-	14,095
Transportation:		
Benefits	-	9,397
Total support services	<u>-</u>	<u>182,409</u>
Non-instructional programs:		
Food service operations:		
Salaries	223,060	-
Benefits	106,268	-
Services	6,126	-
Supplies	372,263	-
Depreciation	38,478	-
Other	4,703	-
Total non-instructional programs	<u>750,898</u>	<u>-</u>
Total operating expenses	<u>750,898</u>	<u>316,956</u>
Operating income (loss)	<u>(640,603)</u>	<u>24,107</u>
Non-operating revenues:		
State sources	6,515	-
Federal sources	768,456	-
Interest income	546	7,200
Total non-operating revenues	<u>775,517</u>	<u>7,200</u>
Change in net position	134,914	31,307
Net position beginning of year	<u>170,349</u>	<u>1,078,572</u>
Net position end of year	<u>\$ 305,263</u>	<u>1,109,879</u>

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Business Type Activities: Enterprise Funds	Governmental Activities: Internal Service Funds
	School Nutrition	
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 84,645	-
Cash received from shared director	30,636	-
Cash received from miscellaneous	1,580	341,063
Cash payments to employees for services	(317,201)	-
Cash payments to suppliers for goods or services	(311,707)	(316,295)
Net cash provided by (used in) operating activities	<u>(512,047)</u>	<u>24,768</u>
Cash flows from non-capital financing activities:		
State grants received	5,149	-
Federal grants received	728,100	-
Net cash provided by non-capital financing activities	<u>733,249</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	546	7,200
Net increase in cash and pooled investments	221,748	31,968
Cash and pooled investments beginning of year	169,297	1,078,572
Cash and pooled investments end of year	<u>\$ 391,045</u>	<u>1,110,540</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (640,603)	24,107
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Commodities consumed	40,356	-
Depreciation	38,478	-
Change in assets and liabilities:		
Inventories	31,878	-
Due from other governments	3,719	-
Accounts payable	(849)	661
Salaries and benefits payable	6,749	-
Net pension liability	20,521	-
Deferred outflows of resources	(2,839)	-
Deferred inflows of resources	(15,013)	-
Unearned revenue	2,847	-
Total OPEB liability	2,709	-
Net cash provided by (used in) operating activities	<u>\$ (512,047)</u>	<u>24,768</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2021, the District received \$40,356 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2021

	<u>Custodial</u>
Assets	
Cash and pooled investments	\$ 812
Liabilities	
Accounts payable	<u>14</u>
Net Position	
Restricted for other organizations	<u>798</u>
Total net position	<u><u>\$ 798</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2021

	<u>Custodial</u>
Additions:	
Local sources:	<u>\$ 170</u>
Deductions:	
Instruction:	
Regular:	
Other	<u>874</u>
Change in net position	(704)
Net position beginning of year, as restated	<u>1,502</u>
Net position end of year	<u>\$ 798</u>

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(1) Summary of Significant Accounting Policies

Independence Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as career and technical and recreational courses. The geographic area served includes the City of Independence, Iowa, and the predominate agricultural territory in Buchanan and Benton Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

Discretely Presented Component Unit - The Mustang Foundation was created to financially support the Independence Community School District and to provide post high school scholarship support to graduates of the school. The Foundation is a separate legal entity with its own accounting records and board of trustees. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Mustang Foundation has a December 31st year-end. The foundation is accounted for as a component unit on the Statement of Net Position and the Statement of Activities.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do 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 Buchanan and Benton County Assessors' Conference Board.

B. 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are 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. Combining schedules are also included for the Capital Projects Fund accounts as well as the District's Internal Service 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 that are 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 and other capital assets.

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

The District also reports the following non-major proprietary funds:

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

The Internal Service Funds are used to account for the flexible health and childcare benefits program offered by the District and the District's partially self-funded health insurance. The Internal Service Fund is charged back to the Governmental activities and shown combined in the Statement of Net Position and the Statement of Activities.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Custodial Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Custodial Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less restrictive classifications - assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's 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 non-operating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position

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.

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, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% 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 the 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, machinery, equipment, and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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. Reportable 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	\$ -
Buildings	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery 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
Land improvements	20 years
Intangibles	2-10 years
Machinery and equipment	5-15 years

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

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

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2021. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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

Total OPEB Liability - For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund while the portion attributable to the business type activities will be paid primarily by the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unrecognized items not yet charged to pension and OPEB expense and other receivables not collected within sixty days after year end.

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

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.

Unassigned - All amounts not included in preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2021, expenditures exceeded the amount budgeted in the other expenditures function.

(2) Cash and Pooled Investments

The District's deposits in banks at 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 ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2021 the District had no such investments.

(3) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 1,088,239</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal and interest payments on the District's revenue bond indebtedness.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,031,353	-	-	1,031,353
Construction in progress	119,671	2,195,764	61,417	2,254,018
Total capital assets not being depreciated	<u>1,151,024</u>	<u>2,195,764</u>	<u>61,417</u>	<u>3,285,371</u>
Capital assets being depreciated:				
Buildings	31,699,141	272,125	-	31,971,266
Land improvements	5,644,562	132,745	-	5,777,307
Machinery and equipment	3,217,208	332,935	-	3,550,143
Total capital assets being depreciated	<u>40,560,911</u>	<u>737,805</u>	<u>-</u>	<u>41,298,716</u>
Less accumulated depreciation for:				
Buildings	5,609,743	633,002	-	6,242,745
Land improvements	2,158,407	233,407	-	2,391,814
Machinery and equipment	2,450,936	246,662	-	2,697,598
Total accumulated depreciation	<u>10,219,086</u>	<u>1,113,071</u>	<u>-</u>	<u>11,332,157</u>
Total capital assets being depreciated, net	<u>30,341,825</u>	<u>(375,266)</u>	<u>-</u>	<u>29,966,559</u>
Governmental activities capital assets, net	<u>\$ 31,492,849</u>	<u>1,820,498</u>	<u>61,417</u>	<u>33,251,930</u>
Business type activities:				
Machinery and equipment	\$ 660,589	-	-	660,589
Less accumulated depreciation	443,258	38,478	-	481,736
Business type activities capital assets, net	<u>\$ 217,331</u>	<u>(38,478)</u>	<u>-</u>	<u>178,853</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 50,255
Other	15,049
Support services:	
Administration	15,825
Operation and maintenance of plant	55,588
Transportation	109,945
	<u>246,662</u>
Unallocated depreciation	<u>866,409</u>
Total governmental activities depreciation expense	<u>\$ 1,113,071</u>
Business type activities:	
Food service operations	<u>\$ 38,478</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2021 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,851,000	-	1,173,000	4,678,000	905,000
Revenue bonds	9,950,000	-	895,000	9,055,000	925,000
Termination benefits	-	78,563	-	78,563	78,563
Compensated absences	99,337	96,977	99,337	96,977	96,977
Net pension liability	7,551,946	1,066,905	-	8,618,851	-
Total OPEB liability	1,083,912	66,588	-	1,150,500	-
Total	<u>\$ 24,536,195</u>	<u>1,309,033</u>	<u>2,167,337</u>	<u>23,677,891</u>	<u>2,005,540</u>
Business type activities:					
Net pension liability	\$ 164,357	20,521	-	184,878	-
Total OPEB liability	44,106	2,709	-	46,815	-
Total	<u>\$ 208,463</u>	<u>23,230</u>	<u>-</u>	<u>231,693</u>	<u>-</u>

General Obligation Bonds

Details of the Districts June 30, 2021 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issued June 4, 2020				
	Interest Rate	Principal	Interest	Total	
2022	1.87 %	\$ 905,000	87,479	992,479	
2023	1.87	926,000	70,555	996,555	
2024	1.87	941,000	53,239	994,239	
2025	1.87	961,000	35,642	996,642	
2026	1.87	945,000	17,671	962,671	
Total		<u>\$ 4,678,000</u>	<u>264,586</u>	<u>4,942,586</u>	

Revenue Bonds

On June 15, 2020, the District issued \$9,950,000 of refunding revenue bonds to refund a portion of the \$8,115,000 of the revenue bonds that were issued December 2011, \$1,300,000 of the revenue bonds that were issued August 2014 and \$1,500,000 of the revenue bonds that were issued December 2015 and for financing various construction projects throughout the District. The revenue bonds will be paid with statewide sales, services and use taxes collected in the Statewide Sales, and Services and Use Tax Fund.

Details of the District's June 30, 2021 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issued June 15, 2020				
	Interest Rate	Principal	Interest	Total	
2022	2.25 %	\$ 925,000	203,737	1,128,737	
2023	2.25	945,000	182,925	1,127,925	
2024	2.25	967,000	161,663	1,128,663	
2025	2.25	987,000	139,905	1,126,905	
2026	2.25	1,010,000	117,697	1,127,697	
2027-2030	2.25	4,221,000	238,433	4,459,433	
Total		<u>\$ 9,055,000</u>	<u>1,044,360</u>	<u>10,099,360</u>	

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,950,000 of bonds issued in June 2020. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 79% of the statewide sales, services and use tax revenues. The total principal and interest paid remaining to be paid on the bonds is \$10,099,360. For the current year, \$895,000 in principal and \$233,825 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,424,640.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Termination Benefits

During the year ended June 30, 2021, the District offered a voluntary early retirement plan to employees. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits were equal to 40% of the employee's annual regular salary, not including any supplemental payments received by the employee for extracurricular or co-curricular duties, in effect during the employee's last year of employment.

At June 30, 2021, the District had obligations to three participants with a total liability of \$78,563.

(6) Commercial Lease Agreement

On August 29, 2016, the District entered into a commercial lease agreement with R&E Real Estate for the purpose of leasing office space. The District will make monthly payments of \$1,200 for the duration of the lease agreement. The lease is a thirty-six-month lease and ran through August 2019.

On July 15, 2019, the District renewed the commercial lease agreement with R&E Real Estate. The District will continue to make monthly payments at an increased amount of \$1,375 per month for the duration of the lease. The lease is a thirty-four-month lease and runs through June 2022.

On May 20, 2019, the District entered into a commercial lease agreement with Hawkeye Community College for the purpose of renting a portion of a District building to the college for educational and training purposes. The one-year lease, starting July 1, 2019, will expire June 30, 2020. The lease will renew automatically on an annual basis. The terms of the lease provide that Hawkeye Community College will pre-pay the annual lease amount of \$10,000 due on the commencement date of the lease, with the same amount per year on the 1st day of each July thereafter.

On January 23, 2019, the District entered into a farm lease with Indee Agricultural Education, Inc. for the purpose of leasing undeveloped District land for farming operations. The lease provides Indee Agricultural Education, Inc. possession for a term of one year to commence on March 1, 2019 and end on February 29, 2020. Total cash rent of \$225.00 per acre for 38 acres payable one half on March 1, 2020 and one half on the last Friday prior to September 1, 2020.

On July 15, 2020, the District entered into a commercial lease agreement with Moser Preschool and Daycare for the purpose of renting a portion of a District building to the preschool for educational purposes. The one-year lease, starting August 1, 2020, will expire July 31, 2021. The terms of the lease provide that Moser Preschool and Daycare will make monthly payments of \$300 commencing on August 1, 2020 through May 2021.

On August 17, 2020, the District entered into a commercial lease agreement with Hawkeye Community College for the purpose of renting a portion of a District building to the college for educational and training purposes. The one-year lease, starting July 1, 2020, will expire June 30, 2021. The lease will renew automatically on an annual basis. The terms of the lease provide that Hawkeye Community College will pre-pay the annual lease amount of \$10,000 due on the commencement date of the lease, with the same amount per year on the 1st day of each July thereafter.

(7) Pension Plan

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

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information 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 for members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month 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% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

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

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

The District's contributions to IPERS for the year ended June 30, 2021 totaled \$949,948.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the District reported a liability of \$8,803,729 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the District's proportion was 0.125325%, which was a decrease of 0.007929% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$1,261,452. 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	\$ 9,726	208,671
Changes of assumptions	451,893	-
Net difference between projected and actual earnings on IPERS' investments	494,910	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	67,763	457,918
District contributions subsequent to the measurement date	949,948	-
Total	\$ 1,974,240	666,589

\$949,948 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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,	Amount
2022	\$ 50,048
2023	80,179
2024	64,097
2025	199,409
2026	(36,030)
Total	\$ 357,703

There were no non-employer contributing entities at 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:

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

The actuarial assumptions used in the June 30, 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 IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	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
Total	<u>100.0%</u>	

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
---------------------------	-----------------------------	---------------------------

District's proportionate share of the net pension liability	\$ 14,679,476	8,803,729	3,877,006
---	---------------	-----------	-----------

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

(8) Other Postemployment Benefits (OPEB)

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

OPEB Benefits - Individuals who are employed by Independence Community School District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability. Health benefits paid by the District to retirees are also included as an explicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	17
Active employees	184
Total	201

Total OPEB Liability - The District's total OPEB liability of \$1,197,315 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	2.60% per annum.
Rates of salary increase	3.25-16.25% variable based upon years of service, including inflation.
Discount rate	1.92% compounded annually, including inflation.
Healthcare cost trend rate	6.75% for FY2021 decreasing to an ultimate rate of 4.00% in 2032.

Discount Rate - The discount rate used to measure the total OPEB liability was 1.92% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates for pre-retirement members are from the RP-2014 Employee Mortality Table, projected generationally using MP-2017, applied on a gender specific basis. Mortality rates for post-retirement members are from the RP-2014 Healthy Annuitant Mortality Table, projected generationally using MP-2017, applied on a gender specific basis. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 1,128,018
Changes for the year:	
Service cost	88,314
Interest	28,956
Differences between expected and actual experiences	(19,383)
Changes in assumptions	40,765
Benefit payments	<u>(69,355)</u>
Net changes	<u>69,297</u>
Total OPEB liability end of year	<u>\$ 1,197,315</u>

Changes of assumptions reflect a change in the discount rate from 2.45% in fiscal year 2020 to 1.92% in fiscal year 2021.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (0.92%) or 1% higher (2.92%) than the current discount rate.

	1% Decrease (0.92%)	Discount Rate (1.92%)	1% Increase (2.92%)
Total OPEB liability	\$ 1,277,008	1,197,315	1,121,215

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.75%) or 1% higher (7.75%) than the current healthcare cost trend rates.

	1% Decrease (5.75%)	Healthcare Cost Trend Rate (6.75%)	1% Increase (7.75%)
Total OPEB liability	\$ 1,076,640	1,197,315	1,339,447

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the District recognized OPEB expense of \$126,214. At June 30, 2021, the District reported deferred inflows of resources related to OPEB from the following resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	59,539
Changes in assumptions	121,499	2,074
Total	<u>\$ 121,499</u>	<u>61,613</u>

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

Year Ended June 30,	Amount
2022	\$ 8,944
2023	8,944
2024	8,944
2025	8,944
2026	9,145
Thereafter	<u>14,965</u>
Total	<u>\$ 59,886</u>

(9) Risk Management

Independence 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 four fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

(10) 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 \$697,484 for the year ended June 30, 2021 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Other entities within the District provide tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2021 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Independence	Urban Renewal and Economic Development Projects	\$ 45,700

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 \$21,194.

(12) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	Net investment in Capital Assets	Debt Service	School Infrastructure	Management Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	167,712	2,366,181	532,364	4,180,129
Capital assets, net of accumulated depreciation	33,251,930	-	-	-	-
General obligation bond capitalized indebtedness	(4,678,000)	-	-	-	-
Revenue bond capitalized indebtedness	(7,204,915)	-	-	-	-
Unspent bond proceeds	-	-	(1,850,085)	-	-
Accrued interest payable	-	(14,580)	-	-	-
Income surtax	-	-	-	-	679,742
Termination benefits	-	-	-	(78,563)	-
Internal service fund balance	-	-	-	-	1,109,879
Compensated absences	-	-	-	-	(96,977)
Pension related deferred outflows	-	-	-	-	1,931,831
Pension related deferred inflows	-	-	-	-	(652,591)
Net pension liability	-	-	-	-	(8,618,851)
Total OPEB liability	-	-	-	-	(1,150,500)
OPEB related deferred outflows	-	-	-	-	116,748
OPEB related deferred inflows	-	-	-	-	(59,204)
Net position (Exhibit A)	<u>\$ 21,369,015</u>	<u>153,132</u>	<u>516,096</u>	<u>453,801</u>	<u>(2,559,794)</u>

(13) Budget Overexpenditure

During the year ended June 30, 2021 expenditures in the other expenditures functional area exceeded the amount budgeted.

(14) Construction Commitments

The District has entered into contracts total \$3,705,468 for District addition and remodeling. As of June 30, 2021, costs of \$2,254,018 had been incurred against the contracts. The balance remaining at June 30, 2021 will be paid as work on the project progresses.

(15) Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2021.

Program	Amount
Limited English Proficient (LEP)	\$ 10,795
Gifted and Talented Programs	115,429
Teacher Leadership State Aid	5,279
Four-Year-Old Preschool State Aid	153,099
Teacher Salary Supplement	54,120
Iowa Early Intervention Block Grant	79,268
State Decategorization Grant (D-CAT)	6,564
Juvenile Delinquency Grant (Life Skills)	4,783
Career and Technical Education Aid	5,172
Successful Progression for Early Readers	20,930
Professional Development for Model Core Curriculum	11,065
Professional Development	171,777
Total	<u>\$ 638,281</u>

(16) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement will require reporting of certain potentially significant lease liabilities that are not currently reported.

(17) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Independence Community School District, remains uncertain.

To date, the outbreak created a disruption to the operations of the Independence Community School District due to the closure of school buildings and the move to virtual learning to complete the 2019-2020 school year. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Independence Community School District's operations and finances.

(18) Accounting Change / Restatement

Governmental Accounting Standards Board Statement No.84, Fiduciary Activities, was implemented during fiscal year 2021. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. Beginning net position for fiduciary funds was restated to retroactively report the change in net position, as follows:

	<u>Fiduciary Activities</u>
Net position June 30, 2020 as previously reported	\$ -
Change to implement GASBS No. 84	1,502
Net position July 1, 2020, as restated	<u>\$ 1,502</u>



Independence Community School District

Required Supplementary Information

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2021

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual	Actual			Variance
Revenues:						
Local sources	\$ 9,470,711	110,841	9,581,552	9,906,270	9,906,270	(324,718)
State sources	12,022,238	6,515	12,028,753	12,039,270	12,039,270	(10,517)
Federal sources	888,130	768,456	1,656,586	905,000	905,000	751,586
Total revenues	<u>22,381,079</u>	<u>885,812</u>	<u>23,266,891</u>	<u>22,850,540</u>	<u>22,850,540</u>	<u>416,351</u>
Expenditures/Expenses:						
Instruction	12,524,778	-	12,524,778	12,875,000	12,925,000	400,222
Support services	5,829,047	-	5,829,047	6,067,500	6,067,500	238,453
Non-instructional programs	-	750,898	750,898	830,000	830,000	79,102
Other expenditures	5,585,807	-	5,585,807	3,362,504	4,877,484	(708,323)
Total expenditures/expenses	<u>23,939,632</u>	<u>750,898</u>	<u>24,690,530</u>	<u>23,135,004</u>	<u>24,699,984</u>	<u>9,454</u>
Excess (Deficiency) of revenues over (under) expenditures/expenses	(1,558,553)	134,914	(1,423,639)	(284,464)	(1,849,444)	425,805
Other financing sources, net	<u>33,624</u>	<u>-</u>	<u>33,624</u>	<u>-</u>	<u>-</u>	<u>33,624</u>
Excess (Deficiency) of revenues and other financing sources over (under) expenditures/expenses	(1,524,929)	134,914	(1,390,015)	(284,464)	(1,849,444)	459,429
Balances beginning of year	<u>9,618,349</u>	<u>170,349</u>	<u>9,788,698</u>	<u>5,448,127</u>	<u>5,448,127</u>	<u>4,340,571</u>
Balances end of year	<u>\$ 8,093,420</u>	<u>305,263</u>	<u>8,398,683</u>	<u>5,163,663</u>	<u>3,598,683</u>	<u>4,800,000</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2021

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 Custodial Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,564,980.

During the year ended June 30, 2021, expenditures in the other expenditures function exceeded the amount budgeted.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST SEVEN YEARS*
REQUIRED SUPPLEMENTARY INFORMATION

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.125325%	0.133254%	0.135537%	0.135456%	0.130266%	0.135815%	0.135212%
District's proportionate share of the net pension liability	\$ 8,803,729	7,716,303	8,577,097	9,023,112	8,198,060	6,709,938	5,362,370
District's covered payroll	\$ 9,946,875	10,142,034	10,185,487	10,111,165	9,348,376	9,304,591	8,905,118
District's proportionate share of the net pension liability as a percentage of its covered payroll	88.51%	76.08%	84.21%	89.24%	87.70%	72.11%	60.22%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 949,948	938,985	957,408	909,564	902,927	834,810	830,900	795,227	743,866	672,082
Contributions in relation to the statutorily required contribution	(949,948)	(938,985)	(957,408)	(909,564)	(902,927)	(834,810)	(830,900)	(795,227)	(743,866)	(672,082)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 10,063,010	9,946,875	10,142,034	10,185,487	10,111,165	9,348,376	9,304,591	8,905,118	8,579,769	8,328,154
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2021

Changes of benefit terms:

There are no significant changes in benefits terms.

Changes of assumptions:

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

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

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

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
FOR THE LAST FOUR YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2021	2020	2019	2018
Service cost	\$ 88,314	83,461	71,189	74,498
Interest cost	28,956	34,344	39,025	38,842
Differences between expected and actual experiences	(19,383)	(54,390)	-	-
Changes in assumptions	40,765	82,485	32,795	(3,894)
Benefit payments	(69,355)	(106,158)	(122,076)	(116,309)
Net change in total OPEB liability	69,297	39,742	20,933	(6,863)
Total OPEB liability beginning of year	1,128,018	1,088,276	1,067,343	1,074,206
Total OPEB liability end of year	<u>\$ 1,197,315</u>	<u>1,128,018</u>	<u>1,088,276</u>	<u>1,067,343</u>
Covered-employee payroll	\$ 8,771,615	9,016,988	8,404,336	8,670,620
Total OPEB liability as a percentage of covered-employee payroll	13.65%	12.51%	12.95%	12.31%

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 2021	1.92%
Year ended June 30, 2020	2.45%
Year ended June 30, 2019	3.13%
Year ended June 30, 2018	3.62%
Year ended June 30, 2017	3.56%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION - CASH BASIS
 COMPONENT UNIT (UNAUDITED)
 DECEMBER 31, 2020

	Mustang Foundation
Assets	
Current assets:	
Cash and pooled investments	\$ 1,051,272
Liabilities	-
Net Position	
Unrestricted	\$ 1,051,272

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CASH BASIS
 COMPONENT UNIT (UNAUDITED)
 YEAR ENDED DECEMBER 31, 2020

	Mustang Foundation
Revenues:	
Contributions, gifts, grants and other similar amounts:	\$ 116,475
Program service revenue:	
Crop sales	76,293
Agricultural education sales	21,008
Other revenues:	
Investment income	10,530
Total revenues	224,306
Expenses:	
Grants and similar amounts paid:	
Grants	74,159
Other:	
Management fees	6,311
Office	259
Other	12,010
Total expenses	92,739
Change in net position before other financing sources	131,567
Other financing sources:	
Other changes in fund balances	565,453
Change in net position	697,020
Net position beginning of year	354,252
Net position end of year	\$ 1,051,272

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



Independence Community School District

Supplementary Information

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 526,822	133,759	660,581
Receivables:			
Property tax:			
Delinquent	5,707	-	5,707
Succeeding year	425,002	-	425,002
Accounts	-	57,420	57,420
Due from other governments	-	1,800	1,800
Total assets	\$ 957,531	192,979	1,150,510
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 165	10,655	10,820
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property taxes	425,002	-	425,002
Fund balances:			
Restricted for:			
Management levy purposes	532,364	-	532,364
Student activities	-	182,324	182,324
Total fund balances	532,364	182,324	714,688
Total liabilities, deferred inflows of resources and fund balances	\$ 957,531	192,979	1,150,510

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 2

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2021

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 529,725	-	529,725
Other	14,711	263,496	278,207
State sources	8,960	-	8,960
Total revenues	<u>553,396</u>	<u>263,496</u>	<u>816,892</u>
Expenditures:			
Current:			
Instruction:			
Regular	78,384	-	78,384
Other	-	245,854	245,854
Support services:			
Administration	90,289	-	90,289
Operation and maintenance of plant	205,504	-	205,504
Transportation	45,736	-	45,736
Total expenditures	<u>419,913</u>	<u>245,854</u>	<u>665,767</u>
Change in fund balances	133,483	17,642	151,125
Fund balances beginning of year	<u>398,881</u>	<u>164,682</u>	<u>563,563</u>
Fund balances end of year	<u>\$ 532,364</u>	<u>182,324</u>	<u>714,688</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2021

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Elementary SAVE Projects	Total
Assets				
Cash and pooled investments	\$ 442,190	95,160	2,316,266	2,853,616
Receivables:				
Property tax:				
Delinquent	-	3,755	-	3,755
Succeeding year	-	362,372	-	362,372
Accounts	24,013	-	9,397	33,410
Due from other governments	119,230	-	-	119,230
Total assets	\$ 585,433	461,287	2,325,663	3,372,383
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 69,337	72,486	475,578	617,401
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	362,372	-	362,372
Fund balances:				
Restricted for:				
School infrastructure	516,096	-	1,850,085	2,366,181
Physical plant and equipment	-	26,429	-	26,429
Total fund balances	516,096	26,429	1,850,085	2,392,610
Total liabilities, deferred inflows of resources and fund balances	\$ 585,433	461,287	2,325,663	3,372,383

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2021

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Elementary SAVE Projects	
Revenues:				
Local sources:				
Local tax	\$ -	351,477	-	351,477
Other	7,832	267	16,570	24,669
State sources	1,433,474	5,750	-	1,439,224
Federal sources	13,251	-	-	13,251
Total revenues	<u>1,454,557</u>	<u>357,494</u>	<u>16,570</u>	<u>1,828,621</u>
Expenditures:				
Current:				
Instruction:				
Regular	481,216	122,889	-	604,105
Other	-	8,340	-	8,340
Support services:				
Instructional staff	-	1,220	-	1,220
Administration	15,477	67,786	-	83,263
Operation and maintenance of plant	21,782	29,860	-	51,642
Transportation	251,667	44,039	-	295,706
Capital outlay	169,271	157,609	2,147,424	2,474,304
Total expenditures	<u>939,413</u>	<u>431,743</u>	<u>2,147,424</u>	<u>3,518,580</u>
Excess (Deficiency) of revenues over (under) expenses	515,144	(74,249)	(2,130,854)	(1,689,959)
Other financing sources (uses):				
Insurance proceeds	699	-	-	699
Transfer out	(1,088,239)	-	-	(1,088,239)
Total other financing sources (uses)	<u>(1,087,540)</u>	<u>-</u>	<u>-</u>	<u>(1,087,540)</u>
Change in fund balances	(572,396)	(74,249)	(2,130,854)	(2,777,499)
Fund balances beginning of year	<u>1,088,492</u>	<u>100,678</u>	<u>3,980,939</u>	<u>5,170,109</u>
Fund balances end of year	<u>\$ 516,096</u>	<u>26,429</u>	<u>1,850,085</u>	<u>2,392,610</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2021

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 10,361	3,017	1,584	11,794
Speech - small group	357	348	504	201
Speech - large group	2,073	435	737	1,771
Mock trial	-	175	175	-
Vocal music	9,277	1,351	699	9,929
Band	4,540	3,327	2,107	5,760
Football concessions	-	9,085	9,085	-
Bowling	3,212	255	135	3,332
Dance team	452	-	-	452
Boys basketball	1,923	269	1,157	1,035
Football	567	19,949	7,609	12,907
Boys soccer	3,656	4,093	2,268	5,481
Baseball	-	5,979	5,947	32
Boys track	238	890	1,128	-
Boys cross country	3,291	-	-	3,291
Boys tennis	-	152	152	-
Boys golf	1,587	1,361	537	2,411
Wrestling	-	6,781	6,780	1
Girls basketball	342	1,056	424	974
Volleyball	9,677	1,896	4,827	6,746
Girls soccer	2,832	4,352	3,022	4,162
Softball	1,000	2,223	3,223	-
Girls track	990	423	995	418
Girls cross country	1,927	-	-	1,927
Girls tennis	1,370	-	837	533
Girls golf	930	-	925	5
HS activity	10,309	139,079	124,784	24,604
Musical	12,316	4,270	2,349	14,237
Band/Choir trip	-	17,755	-	17,755
FCCLA	996	755	346	1,405
Yearbook	20,227	3,705	19,415	4,517
Student council	13,465	1,723	1,891	13,297
A/V club	158	-	-	158
Prom	3,188	642	3,137	693
Cheerleaders	4,378	12,548	15,200	1,726
Robotics	2,475	997	1,037	2,435
DECA	460	-	-	460
FFA	6,595	3,876	5,591	4,880
District FFA	4,668	9,650	14,318	-
MS fundraising	2,717	240	785	2,172
BCSC	4,137	19	146	4,010
East fundraising	4,981	462	1,767	3,676
West yearbook	444	210	52	602
West elementary	12,566	148	179	12,535
Total	\$ 164,682	263,496	245,854	182,324

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2021

	Governmental Activities : Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 1,054,310	56,230	1,110,540
Liabilities			
Current liabilities:			
Accounts payable	661	-	661
Net Position			
Unrestricted	\$ 1,053,649	56,230	1,109,879

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2021

	Governmental Activities :		
	Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
Operating revenues:			
Local sources:			
Miscellaneous	\$ 286,920	54,143	341,063
Operating expenses:			
Instruction:			
Regular:			
Benefits	134,547	-	134,547
Support Services:			
Student:			
Benefits	25,262	51,580	76,842
Services	6,455	-	6,455
Supplies	1,930	-	1,930
	33,647	51,580	85,227
Instructional staff:			
Benefits	14,066	-	14,066
Administration:			
Benefits	59,624	-	59,624
Operation and maintenance of plant:			
Benefits	14,095	-	14,095
Transportation:			
Benefits	9,397	-	9,397
Total support services	130,829	51,580	182,409
Total operating expenses	265,376	51,580	316,956
Operating income	21,544	2,563	24,107
Non-operating revenues:			
Interest income	7,104	96	7,200
Change in net position	28,648	2,659	31,307
Net position beginning of year	1,025,001	53,571	1,078,572
Net position end of year	\$ 1,053,649	56,230	1,109,879

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2021

	Governmental Activities : Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
Cash flows from operating activities:			
Cash received from miscellaneous	\$ 286,920	54,143	341,063
Cash payments to suppliers for goods or services	(264,715)	(51,580)	(316,295)
Net cash provided by operating activities	22,205	2,563	24,768
Cash flows from investing activities:			
Interest on investments	7,104	96	7,200
Net increase in cash and pooled investments	29,309	2,659	31,968
Cash and pooled investments beginning of year	1,025,001	53,571	1,078,572
Cash and pooled investments end of year	\$ 1,054,310	56,230	1,110,540
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 21,544	2,563	24,107
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
Accounts payable	661	-	661
Net cash provided by operating activities	\$ 22,205	2,563	24,768

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:										
Local sources:										
Local tax	\$ 7,872,592	7,683,535	7,697,010	7,479,497	7,518,409	7,448,207	7,404,075	7,560,157	8,565,970	6,834,662
Tuition	981,765	892,100	821,360	841,136	631,709	785,128	1,182,760	1,010,851	904,295	814,874
Other	616,354	795,135	954,430	939,534	1,150,888	2,272,182	861,554	1,601,232	3,348,263	631,715
State sources	12,022,238	11,801,625	11,509,090	11,268,590	11,146,567	10,376,420	10,289,726	9,872,568	8,414,136	8,548,936
Federal sources	888,130	555,972	634,842	385,786	461,767	416,491	512,242	541,903	1,151,881	636,419
Total	\$ 22,381,079	21,728,367	21,616,732	20,914,543	20,909,340	21,298,428	20,250,357	20,586,711	22,384,545	17,466,606
Expenditures:										
Instruction:										
Regular	\$ 7,097,720	6,522,010	6,809,096	6,848,442	6,570,832	6,110,606	6,316,205	6,174,280	6,220,521	5,388,808
Special	2,386,700	2,455,165	2,495,387	2,475,442	2,667,109	2,755,860	3,247,953	3,068,749	3,220,530	3,411,149
Other	3,040,358	3,084,691	3,107,606	3,220,558	3,400,791	3,014,832	2,903,239	2,742,668	2,624,616	2,361,047
Support services:										
Student	645,960	610,200	593,220	596,898	503,431	477,588	567,947	557,066	542,217	505,937
Instructional staff	807,907	835,871	800,218	802,360	747,089	343,287	336,113	369,406	372,078	244,893
Administration	1,910,568	2,019,471	1,854,705	1,858,159	1,854,961	1,712,600	1,732,071	1,618,445	1,362,089	1,448,030
Operation and maintenance of plant	1,507,377	1,377,429	1,372,411	1,484,091	1,482,845	1,302,444	1,566,330	1,507,902	1,128,549	1,034,650
Transportation	957,235	700,407	936,597	766,464	747,626	859,882	657,412	706,086	482,288	559,096
Non-instructional programs	-	-	-	548	931	1,224	1,225	1,200	1,958	1,784
Capital outlay	2,474,304	578,056	312,094	431,583	659,505	2,540,577	2,296,544	4,729,768	18,700,774	3,525,532
Long-term debt:										
Principal	2,068,000	13,497,000	1,512,000	1,482,000	1,584,259	1,396,928	1,282,660	1,260,153	1,190,000	165,000
Interest	346,019	463,883	439,752	467,562	499,253	482,802	473,886	471,627	467,583	127,302
Other expenditures:										
AEA flowthrough	697,484	682,359	665,028	656,428	643,373	630,152	625,396	601,389	577,426	591,985
Total	\$ 23,939,632	32,826,542	20,898,114	21,090,535	21,362,005	21,628,782	22,006,981	23,808,739	36,890,629	19,365,213

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2021

Grantor/Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster			
National School Lunch Program	10.555	FY 21	\$ 40,356 *
COVID-19 - National School Lunch Program	10.555	FY 21	68,573
Summer Food Service Program for Children	10.559	FY 21	659,527
			768,456
U.S. Department of Treasury:			
Johnson County Auditor:			
Coronavirus Relief Fund	21.019	FY 21	31,354
Iowa Economic Development Authority:			
Coronavirus Relief Fund	21.019	FY 21	10,000
Environmental Protection Agency:			
Iowa Department of Transportation:			
Diesel Emissions Reduction Act State Grants	66.040	FY 21	13,251
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 21	199,029
Supporting Effective Instruction State Grants	84.367	FY 21	37,630
Student Support and Academic Enrichment Program	84.424	FY 21	11,948
Education Stabilization Fund:			
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	FY 21	56,023
COVID-19 Elementary and Secondary School Relief (ESSER) Funds	84.425D	FY 20	118,215
COVID-19 Elementary and Secondary School Relief (ESSER) Funds	84.425D	FY 21	166,131
Total Education Stabilization Fund			340,369
U.S. Department of Education:			
Central Rivers Area Education Agency:			
Special Education - Grants to States	84.027	FY 21	70,432
Career and Technical Education - Basic Grants to States	84.048	FY 21	8,186
Department of Health and Human Services:			
Tri County Child and Family Development Services:			
Head Start (Iowa Head Start Collaborative)	93.600	FY 21	43,383
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Public Assistance Grants (FEMA Disaster Assistance)	97.036	FY 21	77,411
TOTAL			\$ 1,611,449

* - Includes \$40,356 of non-cash awards

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Independence 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 Independence Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Independence Community School District.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate - Independence Community School District did not elect to use a federally negotiated indirect cost rate as allowed under the Uniform Guidance.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

**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 of Independence Community School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Independence Community School District, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise Independence Community School District's basic financial statements, and have issued our report thereon dated May 3, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independence Community School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independence Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Independence Community School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statement 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 Independence Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance 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.

Independence Community School District's Responses to Findings

Independence Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Independence Community School 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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Independence Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

May 3, 2022
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

To the Board of Education of Independence Community School District

Report on Compliance for Each Major Federal Program

We have audited Independence Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021. Independence Community School District's major federal programs are identified in Part I 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 Independence Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, 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 non-compliance 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 Independence Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination on Independence Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Independence Community School District complied, in all material respects, with the types of 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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

May 3, 2022
Newton, Iowa

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose an audit finding which was required to be reported in accordance with the Uniform Guidance, Section 200.516(a).
- (g) Major programs were as follows:
 - Child Nutrition Cluster
 - Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act (CARES)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Independence Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

No material weaknesses in internal control over financial reporting were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2021

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-21 Certified Budget - Expenditures for the year ended June 30, 2021 exceeded the amended certified budget amounts in the other expenditures function.

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

Response - With the Federal ESSER dollars, expenses were paid after the May 31st deadline, and too late to amend the budget in this category. The district will make every effort to not exceed the published or amended budget in the future.

Conclusion - Response accepted.

IV-B-21 Questionable Expenditures - No expenditures we believe may not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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 - Business transactions between the District and District officials and employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Matt Shannon, Teacher		
Owner of Shannon Event Timing	Services	\$ 3,816
Owner of Shannon Wrestling Tournament	Services	257
Mark Togerson, Teacher		
Michael Doyle, Teacher		
Co-owners of MTMD Driving School	Services	5,382
Jayme Hurley, Teacher		
Rachael Hurley, Teacher		
Co-owners of Precision Drive	Services	520

In accordance with Attorney General's opinion dated July 2, 1990, the above transactions with employees of the District do not appear to represent a conflict of interest.

IV-E-21 Restricted Donor Activity - No transactions were noted between the Districts, 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 ensure the coverage is adequate for current operations.

IV-G-21 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-H-21 Certified Enrollment - We noted the enrollment data certified to the Iowa Department of Education was overstated by 1.00 students.

Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Conclusion - Response accepted.

IV-I-21 Supplementary Weighting - No variances in the supplementary weighting data certified to the Iowa Department of Education were noted.

IV-J-21 Deposits and Investments - No instances of non-compliance 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 timely with the Iowa Department of Education, and we noted no significant deficiencies in the amounts reported.

IV-L-21 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-M-21 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2021, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,088,492
Revenues:		
Sales tax revenues	\$ 1,424,640	
Other state revenues	8,834	
Federal revenues	13,251	
Other local revenues	8,531	<u>1,455,256</u>
Expenditures/transfers out:		
School infrastructure construction	169,271	
Equipment	665,350	
Other	104,792	
Transfers to other funds:		
Debt service fund	<u>1,088,239</u>	<u>2,027,652</u>
Ending balance		<u>\$ 516,096</u>

For the year ended June 30, 2021 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-N-21 Inactive Student Activity Account - During our audit we noted a HS DECA account within the Student Activity Fund which had a balance at year end, but appears to have had no activity for three year.

Recommendation - The District should review the HS DECA account to determine their status. If the District determines this account are inactive, the remaining balances should be reallocated within the Student Activity Fund at the discretion of the Board of Education.

Response - Due to COVID we were not aware that the DECA group was no longer active. The DECA account was closed and distributed between other HS activity accounts.

Conclusion - Response accepted.

IV-O-21 Box Tops Donations - Currently, the District records Box Tops donations in the Student Activity Fund.

Recommendation -Donations given to a school should be expended according to donor request. Box Tops Donations are undesignated, therefore more appropriately receipted in the General Fund for use as determined by the Board of Education. This designation should be done annually and noted in the District's board minutes.

Response - Thank you for the recommendation and the district will make the necessary changes. Monies were transferred to the General Fund and staff will follow the necessary procedures to create a requisition for an expenditure.

Conclusion - Response accepted.