

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

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## Adel-DeSoto-Minburn Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Tim Canney	President	2015
Kim Roby	Vice President	2015
Bart Banwart	Board Member	2015
Kelli Book	Board Member	2017
Rod Collins	Board Member	2017
<b>School Officials</b>		
Greg Dufoe	Superintendent	2015
Nancy Gee	District Secretary/Treasurer	2015
Ahlers & Cooney	Attorney	2015

**ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT**

**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 the Adel-DeSoto-Minburn Community School District:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Adel-DeSoto-Minburn Community School District, Adel, Iowa, as of and for the year ended June 30, 2015, and the related notes to the 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 of material misstatement.

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

**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 Adel-DeSoto-Minburn Community School District at June 30, 2015, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

**Members American Institute & Iowa Society of Certified Public Accountants**

### **Emphasis of Matter**

As discussed in Note 14 to the financial statements, Adel-DeSoto-Minburn Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

### **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 and Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 18 and 48 through 54 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 to be 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 required supplementary 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 Adel-DeSoto-Minburn Community School District's basic financial statements. Another auditor 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, 2014 (which are not presented herein) and expressed an unmodified opinion on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information 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 applies in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information 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 December 21, 2015 on our consideration of Adel-DeSoto-Minburn 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

December 21, 2015  
Newton, Iowa

**ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT**



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Adel-DeSoto-Minburn Community School District provides the 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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$14,674,774 in fiscal year 2014 to \$15,229,791 in fiscal year 2015, while General Fund expenditures increased from \$14,927,955 in fiscal year 2014 to \$15,651,940 in fiscal year 2015. The District's General Fund balance decreased from \$4,275,622 at June 30, 2014 to a balance of \$3,853,473 at June 30, 2015, a decrease of \$422,149 (9.87%) from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources received in fiscal year 2015. The increase in expenditures was partly due to an increase in negotiated salaries and benefits paid to District employees as well as additional staffing as the District continues to grow.
- The decrease in the General Fund balance was expected as the District spends down the cash reserve. The District spent \$422,149 more than it received in revenue. The District's solvency ratio continues to trend down but it is still much higher than the Board's minimum target of 10%. The solvency ratio was 26.4% at the end of 2015, 28.52% at the end of 2014, and 31.33% at the end of 2013. The solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term obligations.
- The District passed a General Obligation Bond vote for \$13,500,000 in February of 2014 with an 84% majority. Construction began in 2015 for site improvements and additional classrooms and renovations at Adel Elementary and DeSoto Intermediate. Classrooms and renovations at the Middle School and High School and renovations at the Old Middle School to relocate the Administration Center for central office staff will start in the spring of 2015.

### **USING THIS ANNUAL REPORT**

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Adel-DeSoto-Minburn Community School District as a whole and present an overall view of the District's finances.

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

Notes to the 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 Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

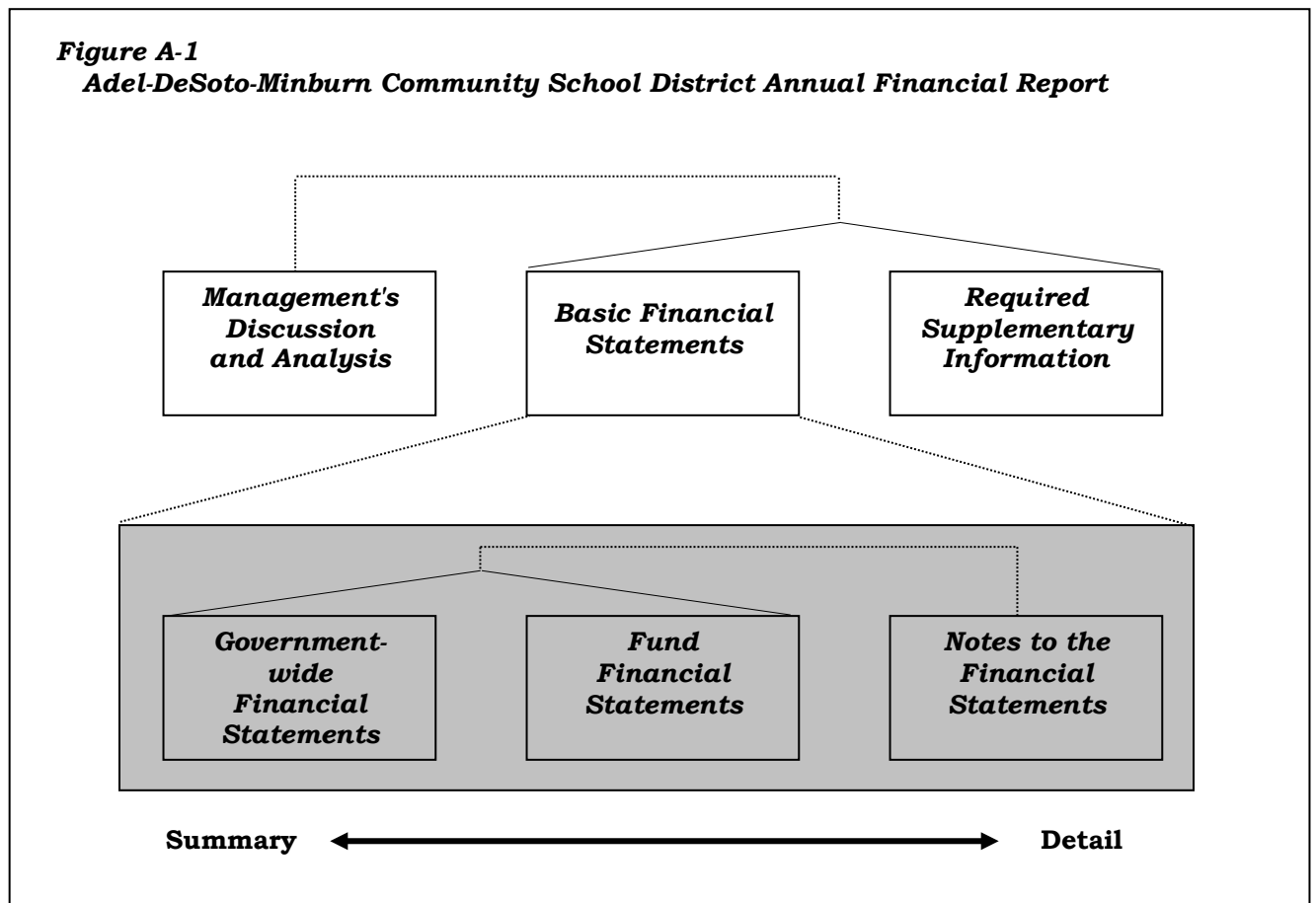


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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 and childcare	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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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. 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.

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The two government-wide financial statements report the District's net position and how they have 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 are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

- *Governmental activities:* Most of the District's 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 and childcare programs are included here.

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and 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 two Enterprise Funds, the School Nutrition Fund and Childcare Fund.

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 the assets that belong to others. These funds include Private Purpose Trust fund.
  - Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purpose and by those whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the fiduciary funds include a Statement of Fiduciary Net Position and 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, 2015 compared to June 30, 2014.

Figure A-3  
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30, 2014		June 30, 2014		June 30, 2014	June 30, 2014-15	
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	
Current and other assets	\$ 27,975,883	27,374,364	476,506	417,484	28,452,389	27,791,848	2.38%
Capital assets	23,599,511	17,949,105	48,148	49,137	23,647,659	17,998,242	31.39%
Total assets	51,575,394	45,323,469	524,654	466,621	52,100,048	45,790,090	13.78%
Deferred outflows of resources	1,418,547	-	29,332	-	1,447,879	-	100.00%
Long-term liabilities	28,418,898	20,057,697	169,264	9,764	28,588,162	20,067,461	42.46%
Other liabilities	3,945,049	2,466,529	68,945	40,345	4,013,994	2,506,874	60.12%
Total liabilities	32,363,947	22,524,226	238,209	50,109	32,602,156	22,574,335	44.42%
Deferred inflows of resources	9,291,865	6,891,128	60,637	15,391	9,352,502	6,906,519	35.42%
Net position:							
Net investment in capital assets	8,932,184	7,732,779	48,148	49,137	8,980,332	7,781,916	15.40%
Restricted	5,490,185	4,466,691	-	-	5,490,185	4,466,691	22.91%
Unrestricted	(3,084,240)	3,708,645	206,992	351,984	(2,877,248)	4,060,629	-170.86%
Total net position	\$ 11,338,129	15,908,115	255,140	401,121	11,593,269	16,309,236	-28.92%

The District's combined net position decreased by 28.92%, or \$4,715,967, from the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$1,023,494 or 22.91%, over the prior year. The increase is primarily due to the increase in the fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Account.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$6,937,877, or 170.86%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$6,591,398 and \$190,573, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4  
Changes of Net Position

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
	<b>Revenues:</b>						
<b>Program revenues:</b>							
Charges for service	\$ 1,786,890	1,930,218	622,301	602,756	2,409,191	2,532,974	-4.89%
Operating grants, contributions and restricted interest	1,019,196	1,893,130	299,070	297,554	1,318,266	2,190,684	-39.82%
Capital grants, contributions and restricted interest	-	24,638	-	-	-	24,638	-100.00%
<b>General revenues:</b>							
Property tax	6,891,190	7,097,886	-	-	6,891,190	7,097,886	-2.91%
Statewide sales, services and use tax	1,411,997	1,384,810	-	-	1,411,997	1,384,810	1.96%
Unrestricted state grants	8,114,937	6,673,832	-	-	8,114,937	6,673,832	21.59%
Unrestricted investment earnings	78,503	35,190	1,608	1,295	80,111	36,485	119.57%
Other	168,636	73,500	14,642	250	183,278	73,750	148.51%
<b>Total revenues</b>	<b>19,471,349</b>	<b>19,113,204</b>	<b>937,621</b>	<b>901,855</b>	<b>20,408,970</b>	<b>20,015,059</b>	<b>1.97%</b>
<b>Program expenses:</b>							
Instruction	10,758,276	10,507,657	-	-	10,758,276	10,507,657	2.39%
Support services	4,977,974	4,827,643	56,079	-	5,034,053	4,827,643	4.28%
Non-instructional programs	-	-	810,950	817,244	810,950	817,244	-0.77%
Other expenses	1,739,687	2,032,265	-	-	1,739,687	2,032,265	-14.40%
<b>Total expenses</b>	<b>17,475,937</b>	<b>17,367,565</b>	<b>867,029</b>	<b>817,244</b>	<b>18,342,966</b>	<b>18,184,809</b>	<b>0.87%</b>
Excess of revenues over expenses	1,995,412	1,745,639	70,592	84,611	2,066,004	1,830,250	12.88%
Transfers	26,000	26,000	(26,000)	(26,000)	-	-	0.00%
Change in net position	2,021,412	1,771,639	44,592	58,611	2,066,004	1,830,250	12.88%
Net position beginning of year, as restated	9,316,717	14,136,476	210,548	342,510	9,527,265	14,478,986	-34.20%
Net position end of year	\$ 11,338,129	15,908,115	255,140	401,121	11,593,269	16,309,236	-28.92%

In fiscal 2015, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 84.32% of the revenue from governmental activities while charges for service and operating grants and contributions account for 98.27% of the revenue from business type activities.

The District's total revenues were approximately \$20.41 million of which approximately \$19.47 million was for governmental activities and approximately \$0.94 million was for business type activities. As shown in Figure A-4, the District as a whole experienced a 1.97% increase in revenues and a 0.87% increase in expenses. The increase in expenses was partly due to an increase in negotiated salaries and benefits.

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## Governmental Activities

Revenues for governmental activities were \$19,471,349 and expenses were \$17,475,937 for the year ended June 30, 2015.

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, 2015 compared to the year ended June 30, 2014.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014		Change 2014-15	2014		Change 2014-15
	2015	(Not Restated)		2015	(Not Restated)	
Instruction	\$ 10,758,276	10,507,657	2.39%	8,584,221	7,327,844	17.15%
Support services	4,977,974	4,827,643	3.11%	4,936,103	4,760,962	3.68%
Other expenses	1,739,687	2,032,265	-14.40%	1,149,527	1,430,773	-19.66%
Totals	\$ 17,475,937	17,367,565	0.62%	14,669,851	13,519,579	8.51%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,786,890.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,019,196.
- The net cost of governmental activities was financed with \$6,891,190 in property tax, \$1,411,997 in statewide sales, services and use tax, \$8,114,937 in unrestricted state grants, \$78,503 in interest income, and \$194,636 in other general revenues net of transfers.

## Business Type Activities

Revenues of the District's business type activity were \$937,621 and expenses were \$867,029 for the year ended June 30, 2015. The District's business type activities are comprised of the School Nutrition Fund and the Childcare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, interest income and other general revenues.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Adel-DeSoto-Minburn 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 \$17,037,761, below last year's ending fund balances of \$18,236,023. The primary reason for the decrease is associated with the decrease in the Capital Projects Fund balance.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The fund balance decreased from \$4,275,622 at June 30, 2014 to \$3,853,473 in at June 30, 2015. General Fund revenues and expenditures increased causing the District to use carryover fund balance to meet its financial obligations during the year.
- The District is projected to have increased enrollment over the next several years. Enrollment growth usually means budget growth so the District should be able to maintain its good financial position. The fund balance will continue to be reduced as the reserves are spent down, however the District will be able to levy for cash before it gets too low. In the meantime, additional staffing needs are being met. In 2015, there were still some staff reductions that were employed in 2009-10 that have not been reinstated (school improvement director, and special education coordinator). The savings on these positions affect the District's General Fund balance each year.

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- The Capital Project Fund balance decreased from \$11,644,467 at June 30, 2014 to \$10,600,107 at June 30, 2015. The decrease is primarily due to the decrease in fund balance in the Capital Projects: Construction Account due to increased spending on District construction projects during the year.
  - The Debt Service Fund balance increased from \$502,571 at June 30, 2014 to \$605,541 at June 30, 2015. The increase was due to an increase in local tax revenues received during fiscal year 2015.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from a restated net position of \$132,147 at July 1, 2014 to a net position of \$155,437 at June 30, 2015. This represents an increase of 17.62%.

The Childcare Fund net position increased from a restated net position of \$78,401 at July 1, 2014 to a net position of \$99,703 in fiscal 2015. This represents an increase of 21.17%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Adel-DeSoto-Minburn Community School District amended its budget one time to reflect additional expenditures in the support services functional area.

The District's revenues were \$96,973 less than budgeted revenues, a variance of 0.47%. The most significant variance resulted from the District receiving less in 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.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2015, the District had invested \$23,647,659 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents an increase of 31.39% from the prior year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$791,178.

The original cost of the District's capital assets was \$34,926,812. Governmental funds account for \$34,643,512 with the remainder of \$283,300 accounted for in the District's business type activities.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$147,006 at June 30, 2014 as compared to \$6,276,991 at June 30, 2015.



Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 669,715	669,715	-	-	669,715	669,715	0.00%
Construction in progress	6,276,991	147,006	-	-	6,276,991	147,006	4169.89%
Buildings	15,635,697	15,856,660	-	-	15,635,697	15,856,660	-1.39%
Land improvements	487,371	595,565	-	-	487,371	595,565	-18.17%
Machinery and equipment	529,737	680,159	48,148	49,137	577,885	729,296	-20.76%
Total	\$ 23,599,511	17,949,105	48,148	49,137	23,647,659	17,998,242	31.39%

### Long-Term Debt

At June 30, 2015, the District had \$28,588,162 in general obligation bonds payable, capital loan notes payable and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had total outstanding general obligation bonds payable of \$21,950,000 at June 30, 2015.
- The District had total outstanding capital loan notes payable of \$200,000 at June 30, 2015.
- The District had total outstanding bus lease payable of \$99,696 at June 30, 2015.
- The District had total outstanding computer lease payable of \$116,906 at June 30, 2015.
- The District had termination benefits payable of \$195,327 at June 30, 2015.
- The District had a net OPEB liability of \$367,989 at June 30, 2015. Governmental activities account for \$357,722 and business type activities account for \$10,267.
- The District had net pension liability of \$5,658,244 at June 30, 2015. Governmental activities account for \$5,499,247 and business type activities account for \$158,997.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
General obligation bonds	\$ 21,950,000	19,055,000	-	-	21,950,000	19,055,000	15.19%
Capital loan notes	200,000	300,000	-	-	200,000	300,000	-33.33%
Bus lease	99,696	177,953	-	-	99,696	177,953	-43.98%
Computer lease	116,906	230,297	-	-	116,906	230,297	-49.24%
Termination benefits	195,327	-	-	-	195,327	-	100.00%
Net OPEB liability	357,722	294,447	10,267	9,764	367,989	304,211	20.97%
Net pension liability	5,499,247	-	158,997	-	5,658,244	-	100.00%
Total	\$ 28,418,898	20,057,697	169,264	9,764	28,588,162	20,067,461	42.46%

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## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The City of Adel implemented a tax abatement program which has impacted enrollment growth for the last few years and may continue to impact growth. The October 2011 enrollment count was up by 26.9 students, the October 2012 enrollment count was up by 24.6 students, the October 2013 enrollment count was up 21.29 students, the October 2014 enrollment count was up 48.5 students, and the October 2015 was up 39.6 students. Enrollment growth is expected for the next several years due to the aggressive tax abatement program.
- The District asked the voters to approve a General Obligation Bond of \$13,500,000 for classroom additions and renovations. These additions are necessary for the projected increased enrollment. Not only will the District have additional staffing needs, operating costs will increase due to the additions and the relocation of the Administration Center to the old middle school building.
- The District will negotiate a new agreement during fiscal year 2016 with the Adel DeSoto Minburn Education Association. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund 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 Nancy Gee, District Secretary, Adel-DeSoto-Minburn Community School District, 801 Nile Kinnick Drive South, Adel, Iowa, 50003.

BASIC FINANCIAL STATEMENTS

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 20,101,559	469,659	20,571,218
Receivables:			
Property tax:			
Delinquent	41,846	-	41,846
Succeeding year	7,175,669	-	7,175,669
Accounts	6,743	2,737	9,480
Unamortized discount on bonds issued	127,696	-	127,696
Due from other governments	522,370	-	522,370
Inventories	-	4,110	4,110
Capital assets, net of accumulated depreciation	23,599,511	48,148	23,647,659
<b>TOTAL ASSETS</b>	<b>51,575,394</b>	<b>524,654</b>	<b>52,100,048</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	1,418,547	29,332	1,447,879
<b>LIABILITIES</b>			
Accounts payable	2,036,382	275	2,036,657
Salaries and benefits payable	1,579,433	44,523	1,623,956
Accrued interest payable	92,976	-	92,976
Unearned revenue	-	24,147	24,147
Unamortized bond premium	236,258	-	236,258
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	1,075,000	-	1,075,000
Capital loan note payable	100,000	-	100,000
Bus lease payable	80,517	-	80,517
Computer lease payable	116,906	-	116,906
Termination benefits payable	195,327	-	195,327
Portion due after one year:			
General obligation bonds payable	20,875,000	-	20,875,000
Capital loan note payable	100,000	-	100,000
Bus lease payable	19,179	-	19,179
Net pension liability	5,499,247	158,997	5,658,244
Net OPEB liability	357,722	10,267	367,989
<b>TOTAL LIABILITIES</b>	<b>32,363,947</b>	<b>238,209</b>	<b>32,602,156</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	7,175,669	-	7,175,669
Pension related deferred inflows	2,097,254	60,637	2,157,891
Other	18,942	-	18,942
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>9,291,865</b>	<b>60,637</b>	<b>9,352,502</b>
<b>NET POSITION</b>			
Net investment in capital assets	8,932,184	48,148	8,980,332
Restricted for:			
Categorical funding	176,569	-	176,569
Debt service	512,565	-	512,565
School infrastructure	2,644,754	-	2,644,754
Physical plant and equipment levy	372,984	-	372,984
Management levy purposes	1,556,174	-	1,556,174
Student activities	227,139	-	227,139
Unrestricted	(3,084,240)	206,992	(2,877,248)
<b>TOTAL NET POSITION</b>	<b>\$ 11,338,129</b>	<b>255,140</b>	<b>11,593,269</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 7,161,389	1,302,301	83,674	(5,775,414)	-	(5,775,414)
Special	2,340,868	228,885	150,548	(1,961,435)	-	(1,961,435)
Other	1,256,019	245,978	162,669	(847,372)	-	(847,372)
	<u>10,758,276</u>	<u>1,777,164</u>	<u>396,891</u>	<u>(8,584,221)</u>	<u>-</u>	<u>(8,584,221)</u>
Support services:						
Student	364,940	-	-	(364,940)	-	(364,940)
Instructional staff	690,200	-	23,495	(666,705)	-	(666,705)
Administration	1,810,830	-	-	(1,810,830)	-	(1,810,830)
Operation and maintenance of plant	1,393,843	-	-	(1,393,843)	-	(1,393,843)
Transportation	718,161	9,726	8,650	(699,785)	-	(699,785)
	<u>4,977,974</u>	<u>9,726</u>	<u>32,145</u>	<u>(4,936,103)</u>	<u>-</u>	<u>(4,936,103)</u>
Long-term debt interest	535,504	-	-	(535,504)	-	(535,504)
Other expenses:						
AEA flowthrough	590,160	-	590,160	-	-	-
Depreciation (unallocated)*	614,023	-	-	(614,023)	-	(614,023)
	<u>1,204,183</u>	<u>-</u>	<u>590,160</u>	<u>(614,023)</u>	<u>-</u>	<u>(614,023)</u>
Total governmental activities	17,475,937	1,786,890	1,019,196	(14,669,851)	-	(14,669,851)
Business type activities:						
Support services:						
Instructional Staff	388	-	-	-	(388)	(388)
Administration	15,175	-	-	-	(15,175)	(15,175)
Operation and maintenance of plant	41,330	-	-	-	(41,330)	(41,330)
Non-instructional programs:						
Food service operations	775,033	539,446	299,070	-	63,483	63,483
Community service operations	35,103	82,855	-	-	47,752	47,752
Total business type activities	<u>867,029</u>	<u>622,301</u>	<u>299,070</u>	<u>-</u>	<u>54,342</u>	<u>54,342</u>
Total	<u>\$ 18,342,966</u>	<u>2,409,191</u>	<u>1,318,266</u>	<u>(14,669,851)</u>	<u>54,342</u>	<u>(14,615,509)</u>
<b>General Revenues &amp; Transfers:</b>						
Property tax levied for:						
General purposes				\$ 4,864,174	-	4,864,174
Debt service				1,483,096	-	1,483,096
Capital outlay				543,920	-	543,920
Statewide sales, services and use tax				1,411,997	-	1,411,997
Unrestricted state grants				8,114,937	-	8,114,937
Unrestricted investment earnings				78,503	1,608	80,111
Other				168,636	14,642	183,278
Transfers				26,000	(26,000)	-
Total general revenues & transfers				<u>16,691,263</u>	<u>(9,750)</u>	<u>16,681,513</u>
Change in net position				2,021,412	44,592	2,066,004
Net position beginning of year, as restated				<u>9,316,717</u>	<u>210,548</u>	<u>9,527,265</u>
Net position end of year				<u>\$ 11,338,129</u>	<u>255,140</u>	<u>11,593,269</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 5,542,479	11,957,878	596,823	2,004,379	20,101,559
Receivables:					
Property tax					
Delinquent	27,453	3,197	8,718	2,478	41,846
Succeeding year	4,721,382	559,171	1,485,118	409,998	7,175,669
Accounts	6,718	-	-	25	6,743
Due from other governments	256,220	265,059	-	1,091	522,370
<b>TOTAL ASSETS</b>	<b>\$ 10,554,252</b>	<b>12,785,305</b>	<b>2,090,659</b>	<b>2,417,971</b>	<b>27,848,187</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 383,379	1,626,027	-	26,976	2,036,382
Salaries and benefits payable	1,578,476	-	-	957	1,579,433
<b>Total liabilities</b>	<b>1,961,855</b>	<b>1,626,027</b>	<b>-</b>	<b>27,933</b>	<b>3,615,815</b>
Deferred inflows of resources:					
Unavailable resources:					
Succeeding year property tax	4,721,382	559,171	1,485,118	409,998	7,175,669
Other	17,542	-	-	1,400	18,942
<b>Total deferred inflows of resources</b>	<b>4,738,924</b>	<b>559,171</b>	<b>1,485,118</b>	<b>411,398</b>	<b>7,194,611</b>
Fund balances:					
Restricted for:					
Categorical funding	176,569	-	-	-	176,569
Debt service	-	-	605,541	-	605,541
School infrastructure	-	10,227,123	-	-	10,227,123
Physical plant and equipment levy	-	372,984	-	-	372,984
Management levy purposes	-	-	-	1,751,501	1,751,501
Student activities	-	-	-	227,139	227,139
Assigned	98,610	-	-	-	98,610
Unassigned	3,578,294	-	-	-	3,578,294
<b>Total fund balances</b>	<b>3,853,473</b>	<b>10,600,107</b>	<b>605,541</b>	<b>1,978,640</b>	<b>17,037,761</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 10,554,252</b>	<b>12,785,305</b>	<b>2,090,659</b>	<b>2,417,971</b>	<b>27,848,187</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

<b>Total fund balances of governmental funds (page 22)</b>	\$	17,037,761
 <i>Amounts reported for governmental activities in the statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		23,599,511
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(92,976)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,418,547	
Deferred inflows of resources	<u>(2,097,254)</u>	(678,707)
Long-term liabilities, including general obligation bonds payable, capital loan note payable, leases payable, termination benefits payable, other post employment benefits payable and net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(28,527,460)</u>
<b>Net position of governmental activities (page 20)</b>	<b>\$</b>	<b><u><u>11,338,129</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 4,464,200	543,920	1,483,096	399,974	6,891,190
Tuition	1,405,369	-	-	-	1,405,369
Other	273,066	76,655	2,842	354,873	707,436
State sources	8,743,143	1,417,245	14,309	4,111	10,178,808
Federal sources	288,546	-	-	-	288,546
Total revenues	15,174,324	2,037,820	1,500,247	758,958	19,471,349
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	6,976,909	56,697	-	77,962	7,111,568
Special	2,408,287	-	-	728	2,409,015
Other	921,244	-	-	359,063	1,280,307
	10,306,440	56,697	-	437,753	10,800,890
Support services:					
Student	379,487	-	-	-	379,487
Instructional staff	605,824	81,287	-	2,092	689,203
Administration	1,848,222	63,214	-	2,820	1,914,256
Operation and maintenance of plant	1,344,637	57,307	-	115,872	1,517,816
Transportation	577,170	54,572	-	35,144	666,886
	4,755,340	256,380	-	155,928	5,167,648
Capital outlay	-	6,280,307	-	-	6,280,307
Long-term debt:					
Principal	-	-	1,176,648	-	1,176,648
Interest and fiscal charges	-	-	541,220	-	541,220
	-	-	1,717,868	-	1,717,868
Other expenditures:					
AEA flowthrough	590,160	-	-	-	590,160
TOTAL EXPENDITURES	15,651,940	6,593,384	1,717,868	593,681	24,556,873
Excess(Deficiency) of revenues over(under) expenditures	(477,616)	(4,555,564)	(217,621)	165,277	(5,085,524)
Other financing sources(uses):					
Proceeds from sale of equipment	29,467	-	-	-	29,467
Compensation for loss of capital assets	-	17,111	-	-	17,111
Transfer in	26,000	-	320,591	-	346,591
Transfer out	-	(320,591)	-	-	(320,591)
Issuance of general obligation bond	-	3,780,000	-	-	3,780,000
Discount on general obligation bond	-	(29,345)	-	-	(29,345)
Premium on issuance of general obligation bond	-	64,029	-	-	64,029
Total other financing sources(uses)	55,467	3,511,204	320,591	-	3,887,262
Change in fund balances	(422,149)	(1,044,360)	102,970	165,277	(1,198,262)
Fund balances beginning of year	4,275,622	11,644,467	502,571	1,813,363	18,236,023
Fund balances end of year	\$ 3,853,473	10,600,107	605,541	1,978,640	17,037,761

SEE NOTES TO FINANCIAL STATEMENTS.



ADEL-DESOTO-MINBURN 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, 2015

**Change in fund balances - total governmental funds (page 24)** \$ (1,198,262)

*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. Depreciation expense, capital outlay expenditures and loss on disposal in the current year, are as follows:

Capital outlay	\$ 6,544,939	
Depreciation expense	(779,080)	
Loss on disposal	(115,453)	
		5,650,406

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances and repayments are as follows:

Issued	\$ (3,780,000)	
Repaid	1,176,648	
		(2,603,352)

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 funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

5,716

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

880,168

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.

Termination benefits	\$ (195,327)	
Pension expense	(466,724)	
Unamortized bond premium/discount	12,062	
Other postemployment benefits	(63,275)	
		(713,264)

**Change in net position of governmental activities (page 21)** \$ 2,021,412

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Enterprise Funds		
	School Nutrition	Childcare	Total
<b>ASSETS:</b>			
Current assets:			
Cash and pooled investments	\$ 353,651	116,008	469,659
Accounts receivable	2,737	-	2,737
Inventories	4,110	-	4,110
Total current assets	<u>360,498</u>	<u>116,008</u>	<u>476,506</u>
Non-current assets:			
Capital assets, net of accumulated depreciation	47,975	173	48,148
<b>TOTAL ASSETS</b>	<u>408,473</u>	<u>116,181</u>	<u>524,654</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	<u>27,441</u>	<u>1,891</u>	<u>29,332</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	-	275	275
Salaries and benefits payable	41,087	3,436	44,523
Unearned revenue	24,147	-	24,147
Total current liabilities	<u>65,234</u>	<u>3,711</u>	<u>68,945</u>
Noncurrent liabilities:			
Net OPEB liability	9,678	589	10,267
Net pension liability	148,812	10,185	158,997
Total noncurrent liabilities	<u>158,490</u>	<u>10,774</u>	<u>169,264</u>
Total liabilities	<u>223,724</u>	<u>14,485</u>	<u>238,209</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	<u>56,753</u>	<u>3,884</u>	<u>60,637</u>
<b>NET POSITION</b>			
Net investment in capital assets	47,975	173	48,148
Unrestricted	107,462	99,530	206,992
<b>TOTAL NET POSITION</b>	<u>\$ 155,437</u>	<u>99,703</u>	<u>255,140</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	School Nutrition	Childcare	Total
<b>OPERATING REVENUE:</b>			
Local sources:			
Charges for services	\$ 539,446	82,855	622,301
Miscellaneous	14,642	-	14,642
<b>TOTAL OPERATING REVENUES</b>	<b>554,088</b>	<b>82,855</b>	<b>636,943</b>
<b>OPERATING EXPENSES:</b>			
Current:			
Support services:			
Instructional staff:			
Services	-	388	388
Administration:			
Salaries	9,823	-	9,823
Benefits	1,219	-	1,219
Services	269	545	814
Supplies	3,319	-	3,319
	14,630	545	15,175
Operation and maintenance of plant			
Salaries	11,758	-	11,758
Benefits	1,459	-	1,459
Services	18,442	-	18,442
Supplies	9,671	-	9,671
	41,330	-	41,330
Total support services	55,960	933	56,893
Non-instructional programs:			
Food service operations:			
Salaries	268,882	-	268,882
Benefits	71,932	-	71,932
Supplies	421,919	-	421,919
Depreciation	12,080	-	12,080
Other	220	-	220
	775,033	-	775,033
Community service operations:			
Salaries	-	25,766	25,766
Benefits	-	5,527	5,527
Supplies	-	3,787	3,787
Depreciation	-	18	18
Other	-	5	5
	-	35,103	35,103
Total non-instructional programs	775,033	35,103	810,136
<b>TOTAL OPERATING EXPENSES</b>	<b>830,993</b>	<b>36,036</b>	<b>867,029</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(276,905)</b>	<b>46,819</b>	<b>(230,086)</b>
<b>NON-OPERATING REVENUES:</b>			
State sources	6,108	-	6,108
Federal sources	292,962	-	292,962
Interest income	1,125	483	1,608
<b>TOTAL NON-OPERATING REVENUES</b>	<b>300,195</b>	<b>483</b>	<b>300,678</b>
Change in net position before other financing uses	23,290	47,302	70,592
Other financing uses:			
Transfer out	-	(26,000)	(26,000)
Change in net position	23,290	21,302	44,592
Net position beginning of year, as restated	132,147	78,401	210,548
Net position end of year	\$ 155,437	99,703	255,140

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	School Nutrition	Childcare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 546,898	-	546,898
Cash received from childcare services	-	82,855	82,855
Cash received from miscellaneous operating activities	14,642	-	14,642
Cash payments to employees for services	(362,173)	(29,712)	(391,885)
Cash payments to suppliers for goods or services	(398,594)	(4,450)	(403,044)
Net cash provided by(used in) operating activities	<u>(199,227)</u>	<u>48,693</u>	<u>(150,534)</u>
Cash flows from non-capital financing activities:			
Transfer to General Fund	-	(26,000)	(26,000)
State grants received	6,108	-	6,108
Federal grants received	239,496	-	239,496
Net cash provided by(used in) non-capital financing activities	<u>245,604</u>	<u>(26,000)</u>	<u>219,604</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	<u>(11,109)</u>	-	<u>(11,109)</u>
Cash flows from investing activities:			
Interest on investments	<u>1,125</u>	<u>483</u>	<u>1,608</u>
Net increase in cash and cash equivalents	36,393	23,176	59,569
Cash and cash equivalents beginning of year	<u>317,258</u>	<u>92,832</u>	<u>410,090</u>
Cash and cash equivalents end of year	<u>\$ 353,651</u>	<u>116,008</u>	<u>469,659</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (276,905)	46,819	(230,086)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	53,466	-	53,466
Depreciation	12,080	18	12,098
Decrease in inventories	1,851	-	1,851
Increase in accounts receivable	(1,304)	-	(1,304)
(Decrease)Increase in accounts payable	(71)	275	204
Increase in salaries and benefits payable	3,228	1,021	4,249
Increase in unearned revenue	8,756	-	8,756
Decrease in net pension liability	(51,480)	(3,523)	(55,003)
Increase in deferred outflows of resources	(5,515)	(390)	(5,905)
Increase in deferred inflows of resources	56,753	3,884	60,637
(Decrease)Increase in other postemployment benefits payable	(86)	589	503
Net cash provided by(used in) operating activities	<u>\$ (199,227)</u>	<u>48,693</u>	<u>(150,534)</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$53,466.

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2015

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 550
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 550</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Donations	\$ <u>2,000</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>2,000</u>
Change in net position	-
Net position beginning of year	<u>550</u>
Net position end of year	<u>\$ <u>550</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**(1) Summary of Significant Accounting Policies**

The Adel-DeSoto-Minburn Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Adel, DeSoto, and Minburn, Iowa, and the predominately agricultural territory in portions of Dallas and Madison Counties. The District is governed by a Board of Education whose members are elected at large, 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 Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Adel-DeSoto-Minburn Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Adel-DeSoto-Minburn Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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 Dallas and Madison 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 non-fiduciary 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 of capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but 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 that 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 other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

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 receipts 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 expenses, including instructional, support and other costs.

The Capital Projects Fund are 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 nonmajor proprietary funds which include the following:

The District's Enterprise, School Nutrition Fund is used to account for the food service operations of the District. The District's Enterprise, Childcare Fund is used to account for the District's child care program.

The District also reports the following fiduciary funds:

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

### **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 - committed, assigned and then unassigned fund balances.

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

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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 the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget 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 deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, and intangibles 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. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. 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	50,000
Land improvements	30,000
Intangible assets	150,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and 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 expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

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.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and 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 collect 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

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.

Assigned - Amounts the Board of Education or Administration intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

#### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

#### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2015 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The 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, 2015, the District had no investments.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects: Physical Plant and Equipment Levy	\$ 306,476
Debt Service		
	Capital Projects: Statewide Sales, Services and Use Tax	14,115
Debt Service		
General Fund	Enterprise: Childcare	<u>26,000</u>
Total		<u>\$ 346,591</u>

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for the principal and interest payment for the District's capital loan notes, computer lease, and bus leases.

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

The transfer from the Enterprise: Childcare Fund to the General Fund was to move childcare profits to the General Fund (see comment IV-N-15).

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2015 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 669,715	-	-	669,715
Construction in progress	147,006	6,129,985	-	6,276,991
Total capital assets not being depreciated	<u>816,721</u>	<u>6,129,985</u>	<u>-</u>	<u>6,946,706</u>
Capital assets being depreciated:				
Buildings	23,703,301	284,866	-	23,988,167
Land improvements	1,536,966	-	-	1,536,966
Machinery and equipment	2,313,411	130,088	271,826	2,171,673
Total capital assets being depreciated	<u>27,553,678</u>	<u>414,954</u>	<u>271,826</u>	<u>27,696,806</u>
Less accumulated depreciation for:				
Buildings	7,846,641	505,829	-	8,352,470
Land improvements	941,401	108,194	-	1,049,595
Machinery and equipment	1,633,252	165,057	156,373	1,641,936
Total accumulated depreciation	<u>10,421,294</u>	<u>779,080</u>	<u>156,373</u>	<u>11,044,001</u>
Total capital assets being depreciated, net	<u>17,132,384</u>	<u>(364,126)</u>	<u>115,453</u>	<u>16,652,805</u>
Governmental activities capital assets, net	<u>\$ 17,949,105</u>	<u>5,765,859</u>	<u>115,453</u>	<u>23,599,511</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 272,977	11,109	786	283,300
Less accumulated depreciation	223,840	12,098	786	235,152
Business type activities capital assets, net	\$ 49,137	(989)	-	48,148

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 2,548
Other		6,240
Support services:		
Instructional staff		15,728
Operation and maintenance of plant		18,136
Transportation		122,405
		<u>165,057</u>
Unallocated depreciation		<u>614,023</u>
Total governmental activities depreciation expense		<u>\$ 779,080</u>
Business type activities:		
Food service operations		12,080
Childcare community service operations		18
Total		<u>\$ 12,098</u>

##### (5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 19,055,000	3,780,000	885,000	21,950,000	1,075,000
Capital loan notes	300,000	-	100,000	200,000	100,000
Bus lease	177,953	-	78,257	99,696	80,517
Computer lease	230,297	-	113,391	116,906	116,906
Termination benefits	-	195,327	-	195,327	195,327
Net pension liability	7,401,663	-	1,902,416	5,499,247	-
Net OPEB liability	294,447	63,275	-	357,722	-
Total	\$ 27,459,360	4,038,602	3,079,064	28,418,898	1,567,750
Business type activities:					
Net OPEB liability	9,764	589	86	10,267	-
Net pension liability	214,000	-	55,003	158,997	-
Total	\$ 223,764	589	55,089	169,264	-

**General Obligation Bonds Payable**

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 3, 2006				Bond Issue of May 1, 2012					
	Interest		Principal		Interest		Principal			
	Rates			Interest	Rates			Interest		
2016	4.25	%	\$	-	37,613	0.80	%	\$	895,000	114,225
2017	4.25			-	37,613	1.00			905,000	107,065
2018	4.25			-	37,613	1.20			910,000	98,015
2019	4.25			-	37,613	1.40			925,000	87,095
2020	4.25			-	37,613	1.60			935,000	74,145
2021-2025	4.25				885,000	1.80-2.20			2,995,000	126,354
					<u>\$ 885,000</u>				<u>\$ 7,565,000</u>	<u>606,899</u>

Year Ending June 30,	Bond Issue of May 1, 2014				Bond Issue of June 25, 2015			Total					
	Interest		Principal		Interest		Principal		Interest	Total			
	Rates			Interest	Rates	Principal	Interest	Principal	Interest	Total			
2016	3.00	%	\$	-	363,375	2.00	%	\$	180,000	74,189	1,075,000	589,402	1,664,402
2017	3.00			-	363,375	2.10			30,000	83,682	935,000	591,735	1,526,735
2018	3.00			-	363,375	2.40			35,000	83,082	945,000	582,085	1,527,085
2019	3.00			-	363,375	2.60			35,000	82,382	960,000	570,465	1,530,465
2020	3.00			-	363,375	2.60			40,000	81,681	975,000	556,814	1,531,814
2021-2025	3.00			-	1,816,875	2.90-3.50			1,655,000	375,104	5,535,000	2,506,393	8,041,393
2026-2030	3.00-4.00				4,120,000	1,666,800	2.90-3.50		1,805,000	61,244	5,925,000	1,728,044	7,653,044
2031-2034	4.00				5,600,000	571,000	-		-	-	5,600,000	571,000	6,171,000
					<u>\$9,720,000</u>	<u>5,871,550</u>			<u>3,780,000</u>	<u>841,364</u>	<u>21,950,000</u>	<u>7,695,938</u>	<u>29,645,938</u>

**Capital Loan Notes**

The District issued \$470,000 of capital loan notes during the year ended June 30, 2012. These notes and the interest will be paid from the Capital Projects, Physical Plant and Equipment Levy account. Details of the capital loan notes are as follows:

Year Ending June 30,	Capital Loan Notes of May 3, 2012					
	Interest		Principal		Total	
	Rates			Interest	Total	
2016	0.80	%	\$	100,000	1,800	101,800
2017	1.00			100,000	1,000	101,000
Total				<u>\$ 200,000</u>	<u>2,800</u>	<u>202,800</u>

**Bus Lease**

During the year ended June 30, 2014, the District entered into two lease purchase agreements with De Lage Laden Public Finance, LLC for buses, payable from the Capital Projects: Physical Plant and Equipment Levy account. Details of the District's June 30, 2015 bus lease indebtedness are as follows:

Year Ending June 30,	Bus Lease of July 26, 2013				Bus Lease of August 15, 2013			Total					
	Interest		Principal		Interest		Principal		Interest	Total			
	Rates			Interest	Rates	Principal	Interest	Principal	Interest	Total			
2016	3.20	%	\$	18,548	1,279	2.70	%	\$	61,969	1,698	80,517	2,977	83,494
2017	3.20			19,179	650	-		-	-	-	19,179	650	19,829
				<u>\$ 37,727</u>	<u>1,929</u>			<u>61,969</u>	<u>1,698</u>		<u>99,696</u>	<u>3,627</u>	<u>103,323</u>

### Computer Lease

During the year ended June 30, 2014, the District entered into a computer lease, payable from the Capital Projects: Physical Plant and Equipment Levy account. Details of the District's June 30, 2015 computer lease indebtedness are as follows:

Year Ending June 30,	Computer Lease of August 3, 2012			
	Interest Rates	Principal	Interest	Total
2016	3.10	% \$ 116,906	3,624	120,530

### Termination Benefits

The District offered a voluntary early retirement plan for employees for fiscal year 2014. The plan was only offered to employees for one year. Eligible employees must have completed at least ten years of full-time 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 is subject to approval by the Board of Education.

An employee granted early retirement received an annuity equal to 44% of the employee's regular salary. The annuity payment was made in September 2015. At June 30, 2015, the District has obligations to eight participants with a total liability of \$195,327.

#### **(6) Other Postemployment Benefits**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 179 active and 13 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 95,149
Interest on net OPEB obligation	7,605
Adjustment to annual required contribution	(23,517)
Annual OPEB cost	<u>79,237</u>
Contributions made	<u>(15,459)</u>
Increase in net OPEB obligation	63,778
Net OPEB obligation beginning of year	<u>304,211</u>
Net OPEB obligation end of year	<u>\$ 367,989</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 63,999	29.0%	\$ 248,950
2014	70,731	22.0%	304,211
2015	79,237	19.5%	367,989

**Funded Status and Funding Progress** - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$584,395, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$584,395. The covered payroll (annual payroll of active employees covered by the plan) was \$9,382,418, and the ratio of the UAAL to covered payroll was 6.2%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2014 actuarial valuation date, the entry age actuarial method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000. Annual retirement and termination probabilities were based on an aging curve from the 2006 society of actuaries study.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(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 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).



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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before 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 - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. 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 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$893,935.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$5,658,244 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an

actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.139810 percent, which was an increase of 0.005306 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$480,220. At June 30, 2015, 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	\$ 61,494	\$ -
Changes of assumptions	249,711	-
Net difference between projected and actual earnings on pension plan investments	-	2,157,891
Changes in proportion and differences between District contributions and proportionate share of contributions	242,739	-
District contributions subsequent to the measurement date	893,935	-
<b>Total</b>	<b>\$ 1,447,879</b>	<b>\$ 2,157,891</b>

\$893,935 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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,	
2016	\$ (410,047)
2017	(410,047)
2018	(410,047)
2019	(410,047)
2020	36,239
	<u>\$ (1,603,949)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	2	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed 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, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 10,691,093	\$ 5,658,244	\$ 1,409,998

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$145,019 for legally required employer contributions and \$96,625 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(8) Risk Management**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$590,160 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Deficit Net Position**

At June 30, 2015, the District had a deficit unrestricted net position of \$3,084,240 in the governmental activities.

**(11) Construction Commitment**

The District entered into contracts totaling \$8,792,419 for the high school and middle school project. As of June 30, 2015, costs of \$6,276,991 had been incurred against the contract. The balance of \$2,515,428 remaining at June 30, 2015 will be paid as work on the projects progress.

**(12) Detailed Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position:

	Net Investment in Capital Assets	School Infrastructure	Debt Service	Management Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	10,227,123	605,541	1,751,501	3,578,294
Capital assets, net of accumulated depreciation	23,599,511	-	-	-	-
General obligation bond capitalized indebtedness	(14,367,631)	-	-	-	-
Capital loan note capitalized indebtedness	(200,000)	-	-	-	-
Bus lease payable capitalized indebtedness	(99,696)	-	-	-	-
Unspent general obligation bond proceeds	-	(7,582,369)	-	-	-
Accrued interest payable	-	-	(92,976)	-	-
Termination benefits	-	-	-	(195,327)	-
Computer lease payable	-	-	-	-	(116,907)
Assigned for specific purposes	-	-	-	-	98,610
Net OPEB liability	-	-	-	-	(357,722)
Net pension liability	-	-	-	-	(5,499,247)
Pension related deferred outflows of resources	-	-	-	-	1,418,547
Pension related deferred inflows of resources	-	-	-	-	(2,097,254)
Unamortized bond premium/discount	-	-	-	-	(108,561)
Net position (Exhibit A)	\$ 8,932,184	2,644,754	512,565	1,556,174	(3,084,240)

**(13) Categorical Funding**

The District's ending restricted balances for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 6,428
Gifted and talented	47,551
Teacher salary supplement	33,224
Market factor	5,806
Successful progression for early readers	33,646
Professional development for model core	15,451
Professional development	27,599
Market factor	968
Teacher leadership grants	5,896
Total categorical funding	<u>\$ 176,569</u>

**(14) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 15,908,115	\$ 401,121
Net pension liability at June 30, 2014	<u>(7,401,663)</u>	<u>(214,000)</u>
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	810,265	23,427
Net position July 1, 2014, as restated	<u>\$ 9,316,717</u>	<u>\$ 210,548</u>

A more detailed breakout of the effects of the business type activities restatement on individual enterprise funds is as follows:

	<u>Business Type Activities</u>		
	<u>School</u>		
	<u>Nutrition</u>	<u>Childcare</u>	<u>Total</u>
Net position June 30, 2014, as previously reported	\$ 310,513	90,608	401,121
Net pension liability at June 30, 2014	(200,292)	(13,708)	(214,000)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	21,926	1,501	23,427
Net position July 1, 2014, as restated	<u>\$ 132,147</u>	<u>78,401</u>	<u>210,548</u>

**ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 9,003,995	638,551	9,642,546	9,736,732	9,736,732	(94,186)
State sources	10,178,808	6,108	10,184,916	10,078,847	10,078,847	106,069
Federal sources	288,546	292,962	581,508	690,364	690,364	(108,856)
Total revenues	19,471,349	937,621	20,408,970	20,505,943	20,505,943	(96,973)
Expenditures/Expenses:						
Instruction	10,800,890	-	10,800,890	11,655,000	11,655,000	854,110
Support services	5,167,648	56,893	5,224,541	5,426,950	5,550,000	325,459
Non-instructional programs	-	810,136	810,136	955,000	955,000	144,864
Other expenditures	8,588,335	-	8,588,335	12,911,924	12,911,924	4,323,589
Total expenditures/expenses	24,556,873	867,029	25,423,902	30,948,874	31,071,924	5,648,022
Excess(Deficiency) of revenues over(under) expenditures/expenses	(5,085,524)	70,592	(5,014,932)	(10,442,931)	(10,565,981)	5,551,049
Other financing sources, net	3,887,262	(26,000)	3,861,262	3,500,000	3,500,000	361,262
Excess(Deficiency) of revenues over(under) expenditures/expenses and other financing sources	(1,198,262)	44,592	(1,153,670)	(6,942,931)	(7,065,981)	5,912,311
Balance beginning of year, as restated	18,236,023	210,548	18,446,571	17,631,157	17,631,157	(815,414)
Balance end of year	\$ 17,037,761	255,140	17,292,901	10,688,226	10,565,176	5,096,897

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. 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 functional level, not by fund. The Code of Iowa also provides that 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 budget expenditures by \$123,050.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 622,057	622,057	0.00%	\$ 6,805,000	9.1%
2011	July 1, 2008	-	622,057	622,057	0.00%	6,080,000	10.2%
2012	July 1, 2011	-	570,498	570,498	0.00%	6,940,000	8.2%
2013	July 1, 2011	-	548,623	548,623	0.00%	7,170,000	7.7%
2014	July 1, 2011	-	511,094	511,094	0.00%	7,230,000	7.1%
2015	July 1, 2014	-	584,395	584,395	0.00%	9,382,418	6.2%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FISCAL YEAR\*

REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.139810%
District's proportionate share of the net pension liability	\$ 5,658,244
District's covered-employee payroll	\$ 10,010,473
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	56.52%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amount presented for each fiscal year were determined as of June 30.

**Note:** Only the current fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 893,935	833,731	754,230	677,997	572,829	555,792	534,820	498,842	462,983	439,799
Contributions in relation to the statutorily required contribution	(893,935)	(833,731)	(754,230)	(677,997)	(572,829)	(555,792)	(534,820)	(498,842)	(462,983)	(439,799)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 10,010,473	9,336,293	8,699,308	8,401,450	8,242,144	7,997,007	8,422,362	8,245,322	8,051,878	7,648,678
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

*Changes of benefit terms:*

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

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumptions:*

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

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

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SUPPLEMENTARY INFORMATION

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total Special Revenue
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,749,055	255,324	2,004,379
Receivables:			
Property tax:			
Delinquent	2,478	-	2,478
Succeeding year	409,998	-	409,998
Accounts	-	25	25
Due from other governments	-	1,091	1,091
<b>TOTAL ASSETS</b>	<b>\$ 2,161,531</b>	<b>256,440</b>	<b>2,417,971</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 32	26,944	26,976
Salaries and benefits payable	-	957	957
Total liabilities	32	27,901	27,933
Deferred inflows of resources:			
Unavailable resources:			
Succeeding year property tax	409,998	-	409,998
Other	-	1,400	1,400
Total deferred inflows of resources	409,998	1,400	411,398
Fund balances:			
Restricted for:			
Management levy purposes	1,751,501	-	1,751,501
Student activities	-	227,139	227,139
Total fund balances	1,751,501	227,139	1,978,640
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,161,531</b>	<b>256,440</b>	<b>2,417,971</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total Special Revenue
REVENUES:			
Local sources:			
Local tax	\$ 399,974	-	399,974
Other	19,165	335,708	354,873
State sources	4,111	-	4,111
TOTAL REVENUES	423,250	335,708	758,958
EXPENDITURES:			
Current:			
Instruction:			
Regular	77,962	-	77,962
Special	728	-	728
Other	-	359,063	359,063
Support services:			
Instructional staff	-	2,092	2,092
Administration	-	2,820	2,820
Operation and maintenance of plant	114,663	1,209	115,872
Transportation	35,144	-	35,144
TOTAL EXPENDITURES	228,497	365,184	593,681
Change in fund balances	194,753	(29,476)	165,277
Fund balances beginning of year	1,556,748	256,615	1,813,363
Fund balances end of year	\$ 1,751,501	227,139	1,978,640

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2015

	Capital Projects			
	Statewide Sales, Services and Use Tax	Construction	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 2,582,483	9,024,208	351,187	11,957,878
Receivables:				
Property tax:				
Delinquent	-	-	3,197	3,197
Succeeding year	-	-	559,171	559,171
Due from other governments	217,847	25,612	21,600	265,059
<b>TOTAL ASSETS</b>	<b>\$ 2,800,330</b>	<b>9,049,820</b>	<b>935,155</b>	<b>12,785,305</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 155,576	1,467,451	3,000	1,626,027
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	559,171	559,171
Fund balances:				
Restricted for:				
School infrastructure	2,644,754	7,582,369	-	10,227,123
Physical plant and equipment levy	-	-	372,984	372,984
Total fund balances	2,644,754	7,582,369	372,984	10,600,107
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,800,330</b>	<b>9,049,820</b>	<b>935,155</b>	<b>12,785,305</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Construction	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	543,920	543,920
Other	8,444	63,624	4,587	76,655
State sources	1,411,997	-	5,248	1,417,245
<b>TOTAL REVENUES</b>	<b>1,420,441</b>	<b>63,624</b>	<b>553,755</b>	<b>2,037,820</b>
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	25,855	30,842	56,697
Support services:				
Instructional staff	-	81,287	-	81,287
Administration	-	26,998	36,216	63,214
Operation and maintenance of plant	4,029	-	53,278	57,307
Transportation	-	-	54,572	54,572
Capital outlay	570,918	5,709,389	-	6,280,307
<b>TOTAL EXPENDITURES</b>	<b>574,947</b>	<b>5,843,529</b>	<b>174,908</b>	<b>6,593,384</b>
Excess(Deficiency) of revenues over(under) expenditures	845,494	(5,779,905)	378,847	(4,555,564)
OTHER FINANCING SOURCES(USES):				
Transfer out	(14,115)	-	(306,476)	(320,591)
Compensation for loss of capital assets	17,111	-	-	17,111
Issuance of general obligation bond	-	3,780,000	-	3,780,000
Premium on issuance of general obligation bond	-	64,029	-	64,029
Discount on issuance of general obligation bond	-	(29,345)	-	(29,345)
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>2,996</b>	<b>3,814,684</b>	<b>(306,476)</b>	<b>3,511,204</b>
Change in fund balances	848,490	(1,965,221)	72,371	(1,044,360)
Fund balance beginning of year	1,796,264	9,547,590	300,613	11,644,467
Fund balance end of year	<b>\$ 2,644,754</b>	<b>7,582,369</b>	<b>372,984</b>	<b>10,600,107</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Interest	\$ -	1,039	-	(1,039)	-
FCCLA	-	2,022	1,880	-	142
Cross country	-	5,076	5,927	851	-
Golf	-	7,100	11,036	3,936	-
Weight	-	-	12,598	12,598	-
Boys basketball	14,573	11,769	16,082	-	10,260
Football	-	32,433	31,317	-	1,116
Boys soccer	14	6,214	7,416	2,422	1,234
Baseball	-	22,231	31,278	9,047	-
Boys track	8,625	7,614	4,691	-	11,548
Wrestling	3,354	24,544	26,787	-	1,111
Girls basketball	-	12,151	11,804	-	347
Volleyball	8,017	11,866	17,108	-	2,775
Girls soccer	1,023	7,510	8,001	-	532
Softball	-	16,008	16,841	833	-
Girls track	8,078	7,929	6,500	-	9,507
Athletics	11,409	17,666	3,815	58,044	83,304
Ecology club	361	-	360	-	1
Button club	63	-	-	-	63
High school prom	1,468	5,633	5,197	-	1,904
Special events	138,141	76,288	68,750	(95,651)	50,028
Facilities planning committee	24,696	-	535	-	24,161
Drama	6,920	4,864	6,548	-	5,236
Speech contest	3,847	316	1,455	-	2,708
French club	3,459	2,371	4,791	(753)	286
National honor society	-	742	1,403	661	-
Danz team	966	5,657	8,916	2,293	-
SADD	2,156	748	199	-	2,705
Thespian club	415	345	72	-	688
Student council	4,054	9,508	8,219	-	5,343
TSA	-	3,086	2,685	-	401
Yearbook	5,133	14,439	24,452	4,880	-
High school hall of fame	2,600	-	-	-	2,600
Cheerleading	2,329	12,019	10,887	-	3,461
Academic decathlon	-	1,257	3,107	1,850	-
Mock trial	-	-	28	28	-
Middle school yearbook	4,130	3,478	6,139	2,936	4,405
6-7 student council	784	1,785	(1,640)	(2,936)	1,273
<b>Total</b>	<b>\$ 256,615</b>	<b>335,708</b>	<b>365,184</b>	<b>-</b>	<b>227,139</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 6,891,190	7,097,886	7,908,199	7,436,891	7,310,269	6,476,345	6,551,598	6,138,570	5,738,045	5,193,904
Tuition	1,405,369	1,282,410	1,218,042	1,102,647	1,016,093	1,048,627	1,078,218	1,033,535	909,651	876,667
Other	707,436	729,757	665,614	705,855	569,000	559,022	663,659	667,672	604,678	681,128
Intermediate sources	-	-	-	-	-	5,975	561	1,447	15,265	-
State sources	10,178,808	9,649,853	7,823,750	7,622,899	7,144,349	6,120,576	7,266,572	7,343,742	6,982,446	6,622,221
Federal sources	288,546	301,918	335,172	370,549	865,861	1,072,551	387,486	210,555	196,662	636,774
Total	\$ 19,471,349	19,061,824	17,950,777	17,238,841	16,905,572	15,283,096	15,948,094	15,395,521	14,446,747	14,010,694
Expenditures:										
Instruction										
Regular	\$ 7,111,568	6,768,308	6,853,587	5,932,346	5,626,948	5,394,692	5,548,645	5,489,724	5,379,215	5,034,519
Special	2,409,015	2,406,788	2,159,102	2,021,498	1,964,644	1,812,095	1,897,554	1,916,106	2,081,825	2,001,882
Other	1,280,307	1,318,975	1,400,653	1,413,393	1,323,624	1,172,293	1,055,468	1,058,125	977,658	1,027,035
Support services:										
Student	379,487	434,648	364,950	373,737	411,461	398,045	329,819	298,198	344,458	303,146
Instructional staff	689,203	549,166	494,517	549,125	485,563	418,460	629,557	606,907	704,582	521,458
Administration	1,914,256	1,752,695	1,611,278	1,593,257	1,451,746	1,492,680	1,648,651	1,603,142	1,368,980	1,157,743
Operation and maintenance of plant	1,517,816	1,311,314	1,214,444	1,181,693	1,210,936	1,218,367	1,308,175	1,366,621	1,247,423	1,121,868
Transportation	666,886	904,166	662,537	653,952	521,914	500,867	478,775	424,417	573,757	554,551
Non-instructional programs	-	-	-	-	-	282	2,934	-	-	-
Capital outlay	6,280,307	682,785	560,796	160,028	299,087	218,170	347,350	405,032	2,223,773	9,437,295
Long-term debt:										
Principal	1,176,648	9,493,649	1,210,531	985,000	955,000	920,000	810,000	830,000	490,000	475,000
Interest and fiscal charges	541,220	682,929	576,310	589,597	520,885	551,610	581,370	610,188	592,307	555,362
Other expenditures:										
AEA flow-through	590,160	554,467	521,232	499,852	542,779	522,020	484,444	466,146	441,043	409,437
Total	\$ 24,556,873	26,859,890	17,629,937	15,953,478	15,314,587	14,619,581	15,122,742	15,074,606	16,425,021	22,599,296

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY15	\$ 34,686
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY15	258,276 *
			<u>292,962</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY15	<u>108,081</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY15	<u>26,875</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY15	<u>7,895</u>
HEARTLAND AREA EDUCATION AGENCY 11:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY15	<u>66,707</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY15	<u>8,609</u>
TOTAL			<u>\$ 511,129</u>

\* Includes \$53,466 in non-cash awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Adel-DeSoto-Minburn Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 the Adel-DeSoto-Minburn Community School District:**

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Adel-DeSoto-Minburn Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Adel-DeSoto-Minburn Community School District's internal control over financial reporting to determine the audit procedures 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 Adel-DeSoto-Minburn Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Adel-DeSoto-Minburn Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control over financial reporting we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement 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 a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-15 to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Adel-DeSoto-Minburn Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a an direct and material effect on the determination of financial statement amounts. However, providing 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 non-compliance 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 that 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, 2015 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.

## **Adel-DeSoto-Minburn Community School District's Responses to Findings**

Adel-DeSoto-Minburn Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Adel-DeSoto-Minburn Community School District's responses 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 result 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 Adel-DeSoto-Minburn 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.

December 21, 2015  
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 OMB Circular A-133**

**To the Board of Education of Adel-DeSoto-Minburn Community School District:**

**Report on Compliance for Each Major Federal Program**

We have audited Adel-DeSoto-Minburn Community School District compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Adel-DeSoto-Minburn Community School District's major federal programs for the year ended June 30, 2015. Adel-DeSoto-Minburn 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 the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Adel-DeSoto-Minburn 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 Adel-DeSoto-Minburn 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 major federal program. However, our audit does not provide a legal determination of Adel-DeSoto-Minburn Community School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Adel-DeSoto-Minburn Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

The management of Adel-DeSoto-Minburn 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 Adel-DeSoto-Minburn Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Adel-DeSoto-Minburn Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-15 to be a material weakness.

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.

Adel-DeSoto-Minburn Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Adel-DeSoto-Minburn Community School District's responses and, accordingly, we express no opinion on them.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

December 21, 2015  
Newton, Iowa

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness 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 disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Child Nutrition Cluster:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Adel-DeSoto-Minburn 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 DEFICIENCIES:**

II-A-15 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Financial reporting - preparing, reconciling and approving.
- 2) Computer systems - performing all general accounting functions and controlling all data input and output.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will continue to review its control procedures to obtain the maximum internal control.

Conclusion - Response accepted.

II-B-15 Gate Admissions - It was noted that the District does not use pre-numbered tickets for all events that requires an admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District does have cash or change boxes that are established with a specified amount and at the end of the event, the cash is counted by two or more individuals. The cash and change box is turned into the AD responsible for the accounting function and is locked in his vault until the next day. The district has started using pre-numbered tickets for indoor events and will put procedures in place for outdoor events so that the tickets sold can be reconciled with the cash.

Conclusion - Response accepted.

### **Part III: Findings and Questioned Costs For Federal Awards:**

#### **INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

## **INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 10.553 - School Breakfast Program**  
**CFDA Number 10.555 - National School Lunch Program**  
**Federal Award Year: 2015**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

III-A-15 Segregation of Duties - One important aspect of the internal control structure is the (2015-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Financial reporting - preparing, reconciling and approving.
- 2) Computer systems - performing all general accounting functions and controlling all data input and output.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response and corrective action plan - The District is already in the process of reviewing its control procedures and an action plan has been developed by the newly hired Nutrition Director.

Conclusion - Response accepted.

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

IV-A-15 Certified Budget - District disbursements for the year ended June 30, 2015 did not exceed the amount budgeted.

IV-B-15 Questionable Disbursements - We noted during our audit that the District is reimbursing students for passing AP exams. Paying students for passing AP exams does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the purchasing procedures it has in place and make necessary adjustments to ensure that all purchases meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Response - The District will review this practice and make necessary adjustments to ensure it meets public purpose as defined in the Attorney General's opinion.

Conclusion - Response accepted.

IV-C-15 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-15 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- IV-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-15 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-15 Supplementary Weighting - We noted no variances regarding the supplementary weighting data certified to the Iowa Department of Education.
- IV-I-15 Deposits and Investments - We noted 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.
- IV-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-15 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, 2015, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

Beginning balance		\$	1,796,264
Revenues:			
Sales tax revenues	\$	1,411,997	
Other local revenues		8,444	
Other		17,111	1,437,552
Total revenues			<u>3,233,816</u>
Expenditures/transfers out:			
School infrastructure construction	\$	530,033	
Equipment		4,029	
Other		40,885	
Transfer to another fund:			
Debt service fund		14,115	589,062
Ending balance			<u><u>\$ 2,644,754</u></u>

For the year ended June 30, 2015, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.03454	\$ 14,115

IV-M-15 Financial Condition - At June 30, 2015, the District had a deficit unrestricted net position of \$3,084,240 in the governmental activities. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was \$5,499,247 at June 30, 2015. (See Note 14, Accounting Change/Restatement).

Conclusion - Response accepted.

IV-N-15 Childcare Transfer - We noted during our audit that the District made a transfer from the Childcare Program to the General Fund to transfer excess profits. This transfer of the excess profits does not appear to be an allowable transfer, per Chapter 281-98.60 which states in part that each fund is mutually exclusive and completely independent of any other fund, and no fund shall be used as a clearing account of any fund.

Recommendation - The District should review its procedures for the use of excess profits within the Childcare Fund. The District should refrain from transferring the excess profits to the General Fund and should use any profits for allowable expenditures within the Childcare Fund in accordance with Chapter 281-98.74 of the Code of Iowa.

Response - The District will refrain from transferring the excess profits to the General Fund.

Conclusion - Response accepted.