

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2016

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-5
Management's Discussion and Analysis		7-16
<b>Basic Financial Statements:</b>	<b><u>Exhibit</u></b>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-43
<b>Required Supplementary Information:</b>		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		46
Notes to Required Supplementary Information - Budgetary Reporting		47
Schedule of Funding Progress for the Retiree Health Plan		48
Schedule of the District's Proportionate Share of the Net Pension Liability		49
Schedule of District Contributions		50
Notes to Required Supplementary Information - Pension Liability		51
<b>Supplementary Information:</b>	<b><u>Schedule</u></b>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	55
Capital Projects Fund Accounts:		
Combining Balance Sheet	3	56
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	57
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	58
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	59
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	60
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		61-62
Schedule of Findings		63-66

# Adel-DeSoto-Minburn Community School District

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

### Board of Education

#### (Before September 2015 Election)

Tim Canney	President	2015
Kim Roby	Vice President	2015
Bart Banwart	Board Member	2015
Kelli Book	Board Member	2017
Rod Collins	Board Member	2017

#### (After September 2015 Election)

Tim Canney	President	2019
Kim Roby	Vice President	2019
Kelli Book	Board Member	2017
Bart Banwart	Board Member	2019
Rod Collins	Board Member	2017

### School Officials

Greg Dufoe	Superintendent	2016
Nancy Gee	District Secretary/Treasurer	2016
Ahlers & Cooney	Attorney	2016

**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, 2016, 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, 2016, 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**

## **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 7 through 16 and 46 through 51 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. We previously audited the financial statements for the year ended June 30, 2015 (which are not present herein) and expressed an unmodified opinion on those 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 eight 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 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 19, 2016 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 19, 2016  
Newton, Iowa

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

---

---

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

---

---

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, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2016 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$15,229,791 in fiscal year 2015 to \$16,210,599 in fiscal year 2016, while General Fund expenditures increased from \$15,651,940 in fiscal year 2015 to \$16,337,944 in fiscal year 2016. The District's General Fund balance decreased from \$3,853,473 at June 30, 2015 to a balance of \$3,726,128 at June 30, 2016, a decrease of \$127,345 (3.30%) from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources received in fiscal year 2016. 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.

### **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 custodian 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.

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

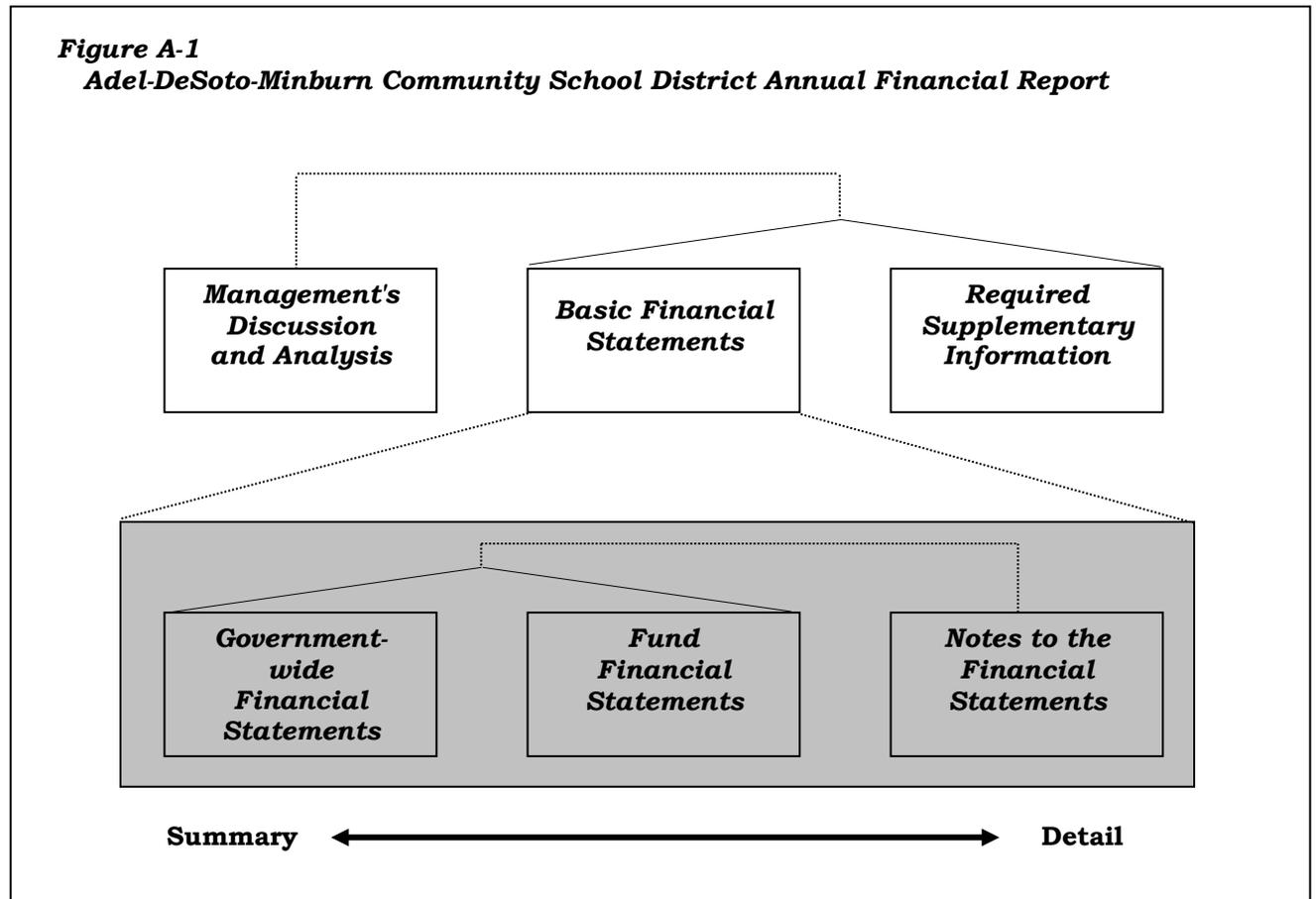


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>				
<b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	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.

---

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 and Agency Funds, as follows:
  - Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

- Agency Funds - These are funds through which the District administers and accounts for certain funds held for other entities.

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, 2016 compared to June 30, 2015.

Figure A-3  
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Current and other assets	\$ 23,054,187	27,975,883	560,570	476,506	23,614,757	28,452,389	-17.00%
Capital assets	29,603,242	23,599,511	43,725	48,148	29,646,967	23,647,659	25.37%
Total assets	52,657,429	51,575,394	604,295	524,654	53,261,724	52,100,048	2.23%
Deferred outflows of resources	1,613,570	1,418,547	44,727	29,332	1,658,297	1,447,879	14.53%
Long-term liabilities	31,209,166	28,418,898	195,060	169,264	31,404,226	28,588,162	9.85%
Other liabilities	3,335,441	3,945,049	66,897	68,945	3,402,338	4,013,994	-15.24%
Total liabilities	34,544,607	32,363,947	261,957	238,209	34,806,564	32,602,156	6.76%
Deferred inflows of resources	7,808,593	9,291,865	36,659	60,637	7,845,252	9,352,502	-16.12%
Net position:							
Net investment in capital assets	5,849,064	8,932,184	43,725	48,148	5,892,789	8,980,332	-34.38%
Restricted	9,102,451	5,490,185	-	-	9,102,451	5,490,185	65.79%
Unrestricted	(3,033,716)	(3,084,240)	306,681	206,992	(2,727,035)	(2,877,248)	5.22%
Total net position	\$ 11,917,799	11,338,129	350,406	255,140	12,268,205	11,593,269	5.82%

The District's combined net position increased by 5.82%, or \$674,936, 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 represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$3,612,266 or 65.79%, 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 - increased \$150,213, or 5.22%. This increase in unrestricted net position

was primarily a result of the District's net pension liability net pension expense recorded and related deferred inflow and outflow adjustments required by GASB statement No. 68 during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-4  
Changes of Net Position

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2016	2015	2016	2015	2016	2015	2015-16
Revenues:							
Program revenues:							
Charges for service	\$ 2,160,620	1,786,890	669,250	622,301	2,829,870	2,409,191	17.46%
Operating grants, contributions and restricted interest	1,081,678	1,019,196	317,717	299,070	1,399,395	1,318,266	6.15%
Capital grants, contributions and restricted interest	56,949	-	-	-	56,949	-	100.00%
General revenues:							
Property tax	7,192,335	6,891,190	-	-	7,192,335	6,891,190	4.37%
Statewide sales, services and use tax	1,457,776	1,411,997	-	-	1,457,776	1,411,997	3.24%
Unrestricted state grants	8,473,169	8,114,937	-	-	8,473,169	8,114,937	4.41%
Unrestricted investment earnings	62,743	78,503	2,130	1,608	64,873	80,111	-19.02%
Other	199,696	168,636	8,292	14,642	207,988	183,278	13.48%
Total revenues	20,684,966	19,471,349	997,389	937,621	21,682,355	20,408,970	6.24%
Program expenses:							
Instruction	11,886,445	10,758,276	-	-	11,886,445	10,758,276	10.49%
Support services	6,074,266	4,977,974	38,994	56,079	6,113,260	5,034,053	21.44%
Non-instructional programs	-	-	863,129	810,950	863,129	810,950	6.43%
Other expenses	2,144,585	1,739,687	-	-	2,144,585	1,739,687	23.27%
Total expenses	20,105,296	17,475,937	902,123	867,029	21,007,419	18,342,966	14.53%
Excess of revenues over expenses	579,670	1,995,412	95,266	70,592	674,936	2,066,004	-67.33%
Transfers	-	26,000	-	(26,000)	-	-	0.00%
Change in net position	579,670	2,021,412	95,266	44,592	674,936	2,066,004	-67.33%
Net position beginning of year	11,338,129	9,316,717	255,140	210,548	11,593,269	9,527,265	21.69%
Net position end of year	\$ 11,917,799	11,338,129	350,406	255,140	12,268,205	11,593,269	5.82%

In fiscal 2016, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 82.78% of the revenue from governmental activities while charges for service and operating grants and contributions account for 98.96% of the revenue from business type activities.

The District's total revenues were approximately \$21.68 million of which approximately \$20.68 million was for governmental activities and approximately \$1.00 million was for business type activities. As shown in Figure A-4, the District as a whole experienced a 6.24% increase in revenues and a 14.53% increase in expenses. The increase in expenses was partly due to an increase in negotiated salaries and benefits.

---

## Governmental Activities

Revenues for governmental activities were \$20,684,966 and expenses were \$20,105,296 for the year ended June 30, 2016.

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, 2016 compared to the year ended June 30, 2015.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2016	2015	2015-16	2016	2015	2015-16
Instruction	\$ 11,886,445	10,758,276	10.49%	9,302,698	8,584,221	8.37%
Support services	6,074,266	4,977,974	22.02%	5,972,545	4,936,103	21.00%
Other expenses	2,144,585	1,739,687	23.27%	1,530,806	1,149,527	33.17%
Totals	\$ 20,105,296	17,475,937	15.05%	16,806,049	14,669,851	14.56%

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$2,160,620.
- Federal, state governments and local sources subsidized certain programs with grants and contributions totaling \$1,138,627.
- The net cost of governmental activities was financed with \$7,192,335 in property tax, \$1,457,776 in statewide sales, services and use tax, \$8,473,169 in unrestricted state grants, \$62,743 in interest income, and \$199,696 in other general revenues net of transfers.

## Business Type Activities

Revenues of the District's business type activity were \$997,389 and expenses were \$902,123 for the year ended June 30, 2016. 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 \$12,685,466, below last year's ending fund balances of \$17,037,761. 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 \$3,853,473 at June 30, 2015 to \$3,726,128 at June 30, 2016. 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.

- 
- The Capital Project Fund balance decreased from \$10,600,107 at June 30, 2015 to \$6,885,492 at June 30, 2016. 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 decreased from \$605,541 at June 30, 2015 to \$55,043 at June 30, 2016. The decrease was due to payments on the Districts long term indebtedness during the year.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from a net position of \$155,437 at June 30, 2015 to a net position of \$204,026 at June 30, 2016. This represents an increase of 31.26%.

The Childcare Fund net position increased from a net position of \$99,703 at June 30, 2015 to a net position of \$146,380 at June 30, 2016. This represents an increase of 46.82%.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$102,440 less than budgeted revenues, a variance of 0.47%. The most significant variance resulted from the District receiving less in state 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, 2016, the District had invested \$29,646,967 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 25.37% 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 \$1,093,129.

The original cost of the District's capital assets was \$42,019,249. Governmental funds account for \$41,727,829 with the remainder of \$291,420 accounted for in the District's business type activities.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$487,371 at June 30, 2015 as compared to \$1,720,581 at June 30, 2016.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Land	\$ 669,715	669,715	-	-	669,715	669,715	0.00%
Construction in progress	5,971,177	6,276,991	-	-	5,971,177	6,276,991	-4.87%
Buildings	20,738,453	15,635,697	-	-	20,738,453	15,635,697	32.64%
Land improvements	1,720,581	487,371	-	-	1,720,581	487,371	253.03%
Machinery and equipment	503,316	529,737	43,725	48,148	547,041	577,885	-5.34%
Total	\$ 29,603,242	23,599,511	43,725	48,148	29,646,967	23,647,659	25.37%

### Long-Term Debt

At June 30, 2016, the District had \$31,404,226 in general obligation bonds payable, revenue 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 \$20,475,000 at June 30, 2016.
- The District had outstanding revenue bonds payable of \$3,160,000 at June 30, 2016.
- The District had total outstanding capital loan notes payable of \$100,000 at June 30, 2016.
- The District had total outstanding bus lease payable of \$19,178 at June 30, 2016.
- The District had a net OPEB liability of \$431,063 at June 30, 2016. Governmental activities account for \$419,036 and business type activities account for \$12,027.
- The District had net pension liability of \$7,218,985 at June 30, 2016. Governmental activities account for \$7,035,952 and business type activities account for \$183,033.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
General obligation bonds	\$ 20,475,000	21,950,000	-	-	20,475,000	21,950,000	-6.72%
Revenue bonds	3,160,000	-	-	-	3,160,000	-	100.00%
Capital loan notes	100,000	200,000	-	-	100,000	200,000	-50.00%
Bus lease	19,178	99,696	-	-	19,178	99,696	-80.76%
Computer lease	-	116,906	-	-	-	116,906	-100.00%
Termination benefits	-	195,327	-	-	-	195,327	-100.00%
Net OPEB liability	419,036	357,722	12,027	10,267	431,063	367,989	17.14%
Net pension liability	7,035,952	5,499,247	183,033	158,997	7,218,985	5,658,244	27.58%
Total	\$ 31,209,166	28,418,898	195,060	169,264	31,404,226	28,588,162	9.85%

---

## **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 District will negotiate a new agreement during fiscal year 2017 with the Adel-DeSoto-Minburn Education Association. Settlements in excess of “new money” or state supplemental assistance (SSA) funding will have an adverse effect on the District’s General Fund budget. Seven to ten years ago, the SSA rate was 4%. With the exception of 2015, the rate was set at 2% or lower since that time. The low state supplemental assistance continues to impact the General Fund.
- The City of Adel is continuing a very aggressive tax abatement program which will continue to impact enrollment growth. Enrollment growth generates more funding but if the low state supplemental assistance (SSA) percent increase continues, it may not cover all of the added expenses and keep the class sizes at a reasonable level. Operating costs will increase due to the added maintenance and utilities of the recent building additions, additional transportation services, and the needed increase of staff.
- If the enrollment grows above current projections, the District may have to bond for a new school building which could impact tax rates.
- The District’s special education deficit continues to grow. The deficit for 2016 was \$649,141, an increase of \$56,614 from the prior year. This deficit is contributing to our decreasing fund balance.

## **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/Treasurer, Adel-DeSoto-Minburn Community School District, 215 N. 11th Street, Adel, Iowa, 50003.

BASIC FINANCIAL STATEMENTS

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 15,024,352	549,252	15,573,604
Receivables:			
Property tax:			
Delinquent	42,554	-	42,554
Succeeding year	7,199,899	-	7,199,899
Accounts	19,298	1,850	21,148
Unamortized discount on bonds issued	113,507	-	113,507
Due from other governments	654,577	2,866	657,443
Inventories	-	6,602	6,602
Capital assets, net of accumulated depreciation	29,603,242	43,725	29,646,967
<b>TOTAL ASSETS</b>	<b>52,657,429</b>	<b>604,295</b>	<b>53,261,724</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	1,613,570	44,727	1,658,297
<b>LIABILITIES</b>			
Accounts payable	1,311,233	710	1,311,943
Salaries and benefits payable	1,699,538	43,445	1,742,983
Accrued interest payable	114,663	-	114,663
Unearned revenue	-	22,742	22,742
Unamortized bond premium	210,007	-	210,007
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	935,000	-	935,000
Capital loan note payable	100,000	-	100,000
Bus lease payable	19,178	-	19,178
Portion due after one year:			
General obligation bonds payable	19,540,000	-	19,540,000
Revenue bonds payable	3,160,000	-	3,160,000
Net pension liability	7,035,952	183,033	7,218,985
Net OPEB liability	419,036	12,027	431,063
<b>TOTAL LIABILITIES</b>	<b>34,544,607</b>	<b>261,957</b>	<b>34,806,564</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	7,199,899	-	7,199,899
Pension related deferred inflows	564,150	36,659	600,809
Other	44,544	-	44,544
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>7,808,593</b>	<b>36,659</b>	<b>7,845,252</b>
<b>NET POSITION</b>			
Net investment in capital assets	5,849,064	43,725	5,892,789
Restricted for:			
Categorical funding	198,156	-	198,156
School infrastructure	6,419,256	-	6,419,256
Physical plant and equipment levy	466,236	-	466,236
Management levy purposes	1,763,564	-	1,763,564
Student activities	255,239	-	255,239
Unrestricted	(3,033,716)	306,681	(2,727,035)
<b>TOTAL NET POSITION</b>	<b>\$ 11,917,799</b>	<b>350,406</b>	<b>12,268,205</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 7,859,668	1,428,969	103,094	-	(6,327,605)	-	(6,327,605)
Special	2,522,684	385,534	186,635	-	(1,950,515)	-	(1,950,515)
Other	1,504,093	335,137	144,378	-	(1,024,578)	-	(1,024,578)
	11,886,445	2,149,640	434,107	-	(9,302,698)	-	(9,302,698)
Support services:							
Student	536,152	-	-	-	(536,152)	-	(536,152)
Instructional staff	753,120	-	25,188	-	(727,932)	-	(727,932)
Administration	2,249,994	-	-	-	(2,249,994)	-	(2,249,994)
Operation and maintenance of plant	1,734,508	-	-	56,949	(1,677,559)	-	(1,677,559)
Transportation	800,492	10,980	8,604	-	(780,908)	-	(780,908)
	6,074,266	10,980	33,792	56,949	(5,972,545)	-	(5,972,545)
Long-term debt interest	624,087	-	-	-	(624,087)	-	(624,087)
Other expenses:							
AEA flowthrough	613,779	-	613,779	-	-	-	-
Depreciation (unallocated)*	906,719	-	-	-	(906,719)	-	(906,719)
	1,520,498	-	613,779	-	(906,719)	-	(906,719)
Total governmental activities	20,105,296	2,160,620	1,081,678	56,949	(16,806,049)	-	(16,806,049)
Business type activities:							
Support services:							
Administration	4,717	-	-	-	-	(4,717)	(4,717)
Operation and maintenance of plant	34,277	-	-	-	-	(34,277)	(34,277)
Non-instructional programs:							
Food service operations	824,567	583,970	317,717	-	-	77,120	77,120
Community service operations	38,562	85,280	-	-	-	46,718	46,718
Total business type activities	902,123	669,250	317,717	-	-	84,844	84,844
Total	\$ 21,007,419	2,829,870	1,399,395	56,949	(16,806,049)	84,844	(16,721,205)
<b>General Revenues:</b>							
General revenues:							
Property tax levied for:							
General purposes				\$ 5,145,483	-		5,145,483
Debt service				1,486,975	-		1,486,975
Capital outlay				559,877	-		559,877
Statewide sales, services and use tax				1,457,776	-		1,457,776
Unrestricted state grants				8,473,169	-		8,473,169
Unrestricted investment earnings				62,743	2,130		64,873
Other				199,696	8,292		207,988
Total general revenues				17,385,719	10,422		17,396,141
Change in net position				579,670	95,266		674,936
Net position beginning of year				11,338,129	255,140		11,593,269
Net position end of year				\$ 11,917,799	350,406		12,268,205

\* 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, 2016

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 5,401,365	7,510,766	46,444	2,065,777	15,024,352
Receivables:					
Property tax					
Delinquent	28,461	3,172	8,424	2,497	42,554
Succeeding year	4,679,148	562,107	1,530,733	427,911	7,199,899
Accounts	1,616	17,041	-	641	19,298
Due from other governments	366,246	286,985	175	1,171	654,577
<b>TOTAL ASSETS</b>	<b>\$ 10,476,836</b>	<b>8,380,071</b>	<b>1,585,776</b>	<b>2,497,997</b>	<b>22,940,680</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 330,274	932,472	-	48,487	1,311,233
Salaries and benefits payable	1,698,812	-	-	726	1,699,538
Total liabilities	2,029,086	932,472	-	49,213	3,010,771
Deferred inflows of resources:					
Unavailable resources:					
Succeeding year property tax	4,679,148	562,107	1,530,733	427,911	7,199,899
Other	42,474	-	-	2,070	44,544
Total deferred inflows of resources	4,721,622	562,107	1,530,733	429,981	7,244,443
Fund balances:					
Restricted for:					
Categorical funding	198,156	-	-	-	198,156
Debt service	-	-	55,043	-	55,043
School infrastructure	-	6,419,256	-	-	6,419,256
Physical plant and equipment levy	-	466,236	-	-	466,236
Management levy purposes	-	-	-	1,763,564	1,763,564
Student activities	-	-	-	255,239	255,239
Assigned	118,633	-	-	-	118,633
Unassigned	3,409,339	-	-	-	3,409,339
Total fund balances	3,726,128	6,885,492	55,043	2,018,803	12,685,466
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 10,476,836</b>	<b>8,380,071</b>	<b>1,585,776</b>	<b>2,497,997</b>	<b>22,940,680</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, 2016

<b>Total fund balances of governmental funds (page 20)</b>	\$	12,685,466
 <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.		29,603,242
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.		(114,663)
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	\$ 1,613,570	
Deferred inflows of resources	<u>(564,150)</u>	1,049,420
Long-term liabilities, including general obligation bonds payable, capital loan note payable, leases payable, unamortized bond premium/discount, 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>(31,305,666)</u>
<b>Net position of governmental activities (page 18)</b>	<b>\$</b>	<b><u><u>11,917,799</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, 2016

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 4,734,262	559,877	1,486,975	411,221	7,192,335
Tuition	1,704,179	-	-	-	1,704,179
Other	339,924	107,073	3,412	406,915	857,324
State sources	9,078,853	1,467,985	27,113	8,095	10,582,046
Federal sources	349,082	-	-	-	349,082
Total revenues	<u>16,206,300</u>	<u>2,134,935</u>	<u>1,517,500</u>	<u>826,231</u>	<u>20,684,966</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	7,059,955	260,868	-	272,416	7,593,239
Special	2,464,471	-	-	-	2,464,471
Other	1,110,830	-	-	337,495	1,448,325
	<u>10,635,256</u>	<u>260,868</u>	<u>-</u>	<u>609,911</u>	<u>11,506,035</u>
Support services:					
Student	543,413	-	-	-	543,413
Instructional staff	606,851	79,698	-	2,238	688,787
Administration	1,862,980	250,464	-	-	2,113,444
Operation and maintenance of plant	1,489,188	6,600	-	132,359	1,628,147
Transportation	586,477	105,693	-	41,560	733,730
	<u>5,088,909</u>	<u>442,455</u>	<u>-</u>	<u>176,157</u>	<u>5,707,521</u>
Capital outlay	-	8,016,441	-	-	8,016,441
Long-term debt:					
Principal	-	-	1,772,424	-	1,772,424
Interest and fiscal charges	-	-	602,400	-	602,400
	<u>-</u>	<u>-</u>	<u>2,374,824</u>	<u>-</u>	<u>2,374,824</u>
Other expenditures:					
AEA flowthrough	613,779	-	-	-	613,779
TOTAL EXPENDITURES	<u>16,337,944</u>	<u>8,719,764</u>	<u>2,374,824</u>	<u>786,068</u>	<u>28,218,600</u>
Excess(Deficiency) of revenues over(under) expenditures	(131,644)	(6,584,829)	(857,324)	40,163	(7,533,634)
Other financing sources(uses):					
Proceeds from sale of equipment	4,299	-	-	-	4,299
Compensation for loss of capital assets	-	17,040	-	-	17,040
Transfer in	-	-	306,826	-	306,826
Transfer out	-	(306,826)	-	-	(306,826)
Issuance of revenue bonds	-	3,160,000	-	-	3,160,000
Total other financing sources(uses)	<u>4,299</u>	<u>2,870,214</u>	<u>306,826</u>	<u>-</u>	<u>3,181,339</u>
Change in fund balances	(127,345)	(3,714,615)	(550,498)	40,163	(4,352,295)
Fund balances beginning of year	<u>3,853,473</u>	<u>10,600,107</u>	<u>605,541</u>	<u>1,978,640</u>	<u>17,037,761</u>
Fund balances end of year	<u>\$ 3,726,128</u>	<u>6,885,492</u>	<u>55,043</u>	<u>2,018,803</u>	<u>12,685,466</u>

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, 2016

**Change in fund balances - total governmental funds (page 22)** \$ (4,352,295)

*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 and capital outlay expenditures in the current year, are as follows:

Capital outlay	\$ 7,084,317	
Depreciation expense	<u>(1,080,586)</u>	6,003,731

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	\$ (3,160,000)	
Repaid	<u>1,772,424</u>	(1,387,576)

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. (21,687)

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. 901,369

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	(709,947)	
Unamortized bond premium/discount	12,062	
Other postemployment benefits	<u>(61,314)</u>	<u>(563,872)</u>

**Change in net position of governmental activities (page 19)** \$ 579,670

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016

	Enterprise Funds		
	School Nutrition	Childcare	Total
<b>ASSETS:</b>			
Current assets:			
Cash and pooled investments	\$ 387,937	161,315	549,252
Receivables:			
Accounts receivable	1,850	-	1,850
Due from other governments	2,866	-	2,866
Inventories	6,602	-	6,602
Total current assets	399,255	161,315	560,570
Non-current assets:			
Capital assets, net of accumulated depreciation	42,573	1,152	43,725
<b>TOTAL ASSETS</b>	<b>441,828</b>	<b>162,467</b>	<b>604,295</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	41,419	3,308	44,727
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	380	330	710
Salaries and benefits payable	39,253	4,192	43,445
Unearned revenue	22,632	110	22,742
Total current liabilities	62,265	4,632	66,897
Noncurrent liabilities:			
Net OPEB liability	11,337	690	12,027
Net pension liability	171,287	11,746	183,033
Total noncurrent liabilities	182,624	12,436	195,060
Total liabilities	244,889	17,068	261,957
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	34,332	2,327	36,659
<b>NET POSITION</b>			
Net investment in capital assets	42,573	1,152	43,725
Unrestricted	161,453	145,228	306,681
<b>TOTAL NET POSITION</b>	<b>\$ 204,026</b>	<b>146,380</b>	<b>350,406</b>

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, 2016

	Enterprise Funds		
	School Nutrition	Childcare	Total
<b>OPERATING REVENUE:</b>			
Local sources:			
Charges for services	\$ 583,970	85,280	669,250
Miscellaneous	8,292	-	8,292
<b>TOTAL OPERATING REVENUES</b>	<b>592,262</b>	<b>85,280</b>	<b>677,542</b>
<b>OPERATING EXPENSES:</b>			
Support services:			
Administration:			
Services	596	622	1,218
Supplies	3,499	-	3,499
	<u>4,095</u>	<u>622</u>	<u>4,717</u>
Operation and maintenance of plant			
Salaries	11,585	-	11,585
Benefits	1,921	-	1,921
Services	20,161	-	20,161
Supplies	610	-	610
	<u>34,277</u>	<u>-</u>	<u>34,277</u>
Total support services	<u>38,372</u>	<u>622</u>	<u>38,994</u>
Non-instructional programs:			
Food service operations:			
Salaries	281,111	-	281,111
Benefits	64,888	-	64,888
Supplies	466,341	-	466,341
Depreciation	12,227	-	12,227
	<u>824,567</u>	<u>-</u>	<u>824,567</u>
Community service operations:			
Salaries	-	26,842	26,842
Benefits	-	5,309	5,309
Supplies	-	5,970	5,970
Depreciation	-	316	316
Other	-	125	125
	<u>-</u>	<u>38,562</u>	<u>38,562</u>
Total non-instructional programs	<u>824,567</u>	<u>38,562</u>	<u>863,129</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>862,939</b>	<b>39,184</b>	<b>902,123</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(270,677)</b>	<b>46,096</b>	<b>(224,581)</b>
<b>NON-OPERATING REVENUES:</b>			
State sources	6,452	-	6,452
Federal sources	311,265	-	311,265
Interest income	1,549	581	2,130
<b>TOTAL NON-OPERATING REVENUES</b>	<b>319,266</b>	<b>581</b>	<b>319,847</b>
Change in net position	48,589	46,677	95,266
Net position beginning of year	155,437	99,703	255,140
Net position end of year	<u>\$ 204,026</u>	<u>146,380</u>	<u>350,406</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2016

	Enterprise Funds		
	School Nutrition	Childcare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 583,342	-	583,342
Cash received from childcare services	-	85,390	85,390
Cash received from miscellaneous operating activities	8,292	-	8,292
Cash payments to employees for services	(373,604)	(32,707)	(406,311)
Cash payments to suppliers for goods or services	(441,773)	(6,662)	(448,435)
Net cash provided by(used in) operating activities	(223,743)	46,021	(177,722)
Cash flows from non-capital financing activities:			
State grants received	6,452	-	6,452
Federal grants received	256,853	-	256,853
Net cash provided by(used in) non-capital financing activities	263,305	-	263,305
Cash flows from capital and related financing activities:			
Purchase of capital assets	(6,825)	(1,295)	(8,120)
Cash flows from investing activities:			
Interest on investments	1,549	581	2,130
Net increase in cash and pooled investments	34,286	45,307	79,593
Cash and pooled investments beginning of year	353,651	116,008	469,659
Cash and pooled investments end of year	\$ 387,937	161,315	549,252
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (270,677)	46,096	(224,581)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	51,546	-	51,546
Depreciation	12,227	316	12,543
Increase in inventories	(2,492)	-	(2,492)
Decrease in accounts receivable	887	-	887
Increase in accounts payable	380	55	435
Increase(Decrease) in salaries and benefits payable	(1,834)	756	(1,078)
Increase(Decrease) in unearned revenue	(1,515)	110	(1,405)
Increase in net pension liability	22,475	1,561	24,036
Increase in deferred outflows of resources	(13,978)	(1,417)	(15,395)
Decrease in deferred inflows of resources	(22,421)	(1,557)	(23,978)
Increase in other postemployment benefits payable	1,659	101	1,760
Net cash provided by(used in) operating activities	\$ (223,743)	46,021	(177,722)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2016, the District received Federal commodities valued at \$51,546.

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2016

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ <u>550</u>
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	\$ <u><u>550</u></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, 2016

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Donations	<u>\$                  1,500</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>                          1,500</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, 2016

**(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.

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - 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, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2015.

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
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 collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current 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, 2016 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, 2016, the District had no investments.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects: Physical Plant and Equipment Levy	
Debt Service		<u>\$ 306,826</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.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2016 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 669,715	-	-	669,715
Construction in progress	6,276,991	6,748,202	7,054,016	5,971,177
Total capital assets not being depreciated	<u>6,946,706</u>	<u>6,748,202</u>	<u>7,054,016</u>	<u>6,640,892</u>
Capital assets being depreciated:				
Buildings	23,988,167	5,901,752	-	29,889,919
Land improvements	1,536,966	1,340,933	-	2,877,899
Machinery and equipment	2,171,673	147,446	-	2,319,119
Total capital assets being depreciated	<u>27,696,806</u>	<u>7,390,131</u>	<u>-</u>	<u>35,086,937</u>
Less accumulated depreciation for:				
Buildings	8,352,470	798,996	-	9,151,466
Land improvements	1,049,595	107,723	-	1,157,318
Machinery and equipment	1,641,936	173,867	-	1,815,803
Total accumulated depreciation	<u>11,044,001</u>	<u>1,080,586</u>	<u>-</u>	<u>12,124,587</u>
Total capital assets being depreciated, net	<u>16,652,805</u>	<u>6,309,545</u>	<u>-</u>	<u>22,962,350</u>
Governmental activities capital assets, net	<u>\$ 23,599,511</u>	<u>13,057,747</u>	<u>7,054,016</u>	<u>29,603,242</u>
Business type activities:				
Machinery and equipment	\$ 283,300	8,120	-	291,420
Less accumulated depreciation	235,152	12,543	-	247,695
Business type activities capital assets, net	<u>\$ 48,148</u>	<u>(4,423)</u>	<u>-</u>	<u>43,725</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 2,588
Other	4,758
Support services:	
Instructional staff	15,728
Administration	3,363
Operation and maintenance of plant	13,077
Transportation	134,353
	<u>173,867</u>
Unallocated depreciation	<u>906,719</u>
Total governmental activities depreciation expense	<u>\$ 1,080,586</u>
Business type activities:	
Food service operations	12,227
Childcare community service operations	316
Total	<u>\$ 12,543</u>

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 21,950,000	-	1,475,000	20,475,000	935,000
Revenue bonds	-	3,160,000	-	3,160,000	-
Capital loan notes	200,000	-	100,000	100,000	100,000
Bus lease	99,696	-	80,518	19,178	19,178
Computer lease	116,906	-	116,906	-	-
Termination benefits	195,327	-	195,327	-	-
Net pension liability	5,499,247	1,536,705	-	7,035,952	-
Net OPEB liability	357,722	61,314	-	419,036	-
Total	<u>\$ 28,418,898</u>	<u>4,758,019</u>	<u>1,967,751</u>	<u>31,209,166</u>	<u>1,054,178</u>
Business type activities:					
Net OPEB liability	10,267	1,760	-	12,027	-
Net pension liability	158,997	24,036	-	183,033	-
Total	<u>\$ 169,264</u>	<u>25,796</u>	<u>-</u>	<u>195,060</u>	<u>-</u>

**General Obligation Bonds Payable**

Details of the District's June 30, 2016 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 3, 2006			Bond Issue of May 1, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2017	4.25 %	\$ -	37,613	1.00 %	\$ 905,000	\$ 107,065
2018	4.25	-	20,612	1.20	910,000	98,015
2019	4.25	-	20,612	1.40	925,000	87,095
2020	4.25	-	20,612	1.60	935,000	74,145
2021	4.25	-	20,612	1.80	950,000	59,185
2022-2025	4.25	485,000	82,448	2.00-2.20	2,045,000	67,169
		<u>\$ 485,000</u>	<u>202,509</u>		<u>\$ 6,670,000</u>	<u>492,674</u>

Year Ending June 30,	Bond Issue of May 1, 2014			Bond Issue of June 25, 2015			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2017	3.00 %	\$ -	363,375	2.00 %	\$ 30,000	83,682	935,000	591,735	1,526,735
2018	3.00	-	363,375	2.10	35,000	83,082	945,000	565,084	1,510,084
2019	3.00	-	363,375	2.40	35,000	82,382	960,000	553,464	1,513,464
2020	3.00	-	363,375	2.60	40,000	81,681	975,000	539,813	1,514,813
2021	3.00	-	363,375	2.60	40,000	80,881	990,000	524,053	1,514,053
2022-2026	3.00	-	1,816,875	2.90-3.50	2,720,000	337,967	5,250,000	2,304,459	7,554,459
2027-2031	3.00-4.00	5,440,000	1,527,425	2.90-3.50	700,000	17,500	6,140,000	1,544,925	7,684,925
2032-2034	4.00	4,280,000	347,000	-	-	-	4,280,000	347,000	4,627,000
		<u>\$ 9,720,000</u>	<u>5,508,175</u>		<u>3,600,000</u>	<u>767,175</u>	<u>20,475,000</u>	<u>6,970,533</u>	<u>27,445,533</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 Rates	Principal	Interest	Total
2017	1.00 %	\$ 100,000	1,000	101,000

### **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, 2016 bus lease indebtedness are as follows:

Year Ending June 30,	Bus Lease of July 26, 2013			
	Interest Rates	Principal	Interest	Total
2017	3.20 %	\$ 19,178	650	19,828

### **Revenue Bonds Payable**

Details of the District's June 30, 2016 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 28, 2016 Series A				Bond Issue of March 28, 2016 Series B			Total			
	Interest				Interest			Principal	Interest	Total	
	Rates	Principal	Interest	Rates	Principal	Interest					
2017	2.50	%	\$ -	29,954	1.15	%	-	23,587	-	53,541	53,541
2018	2.50		50,000	38,875	1.15		50,000	30,816	100,000	69,691	169,691
2019	2.50		117,500	36,781	1.15		117,500	29,853	235,000	66,634	301,634
2020	2.50		117,500	33,844	1.35		117,500	28,384	235,000	62,228	297,228
2021	2.50		120,000	30,875	1.55		120,000	26,661	240,000	57,536	297,536
2022-2026	2.50		625,000	108,438	1.70-2.15		625,000	100,407	1,250,000	208,845	1,458,845
2027-2030	2.50		550,000	27,937	2.25-2.70		550,000	28,743	1,100,000	56,680	1,156,680
			<u>\$ 1,580,000</u>	<u>306,704</u>			<u>1,580,000</u>	<u>268,451</u>	<u>3,160,000</u>	<u>575,155</u>	<u>3,735,155</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,160,000 of bonds issued during the year ended June 30, 2016. The bonds were issued for the purpose of financing a portion of the costs of construction around the District. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 3.67% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,735,155. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,457,776.

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

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

#### (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, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 96,983
Interest on net OPEB obligation	9,200
Adjustment to annual required contribution	(29,345)
Annual OPEB cost	<u>76,838</u>
Contributions made	(13,764)
Increase in net OPEB obligation	<u>63,074</u>
Net OPEB obligation beginning of year	<u>367,989</u>
Net OPEB obligation end of year	<u>\$ 431,063</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, 2016.

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, 2016, are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 70,731	22.0%	\$ 304,211
2015	79,237	19.5%	367,989
2016	76,838	17.9%	431,063

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$546,798, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$546,798. The covered payroll (annual payroll of active employees covered by the plan) was \$9,652,141, and the ratio of the UAAL to covered payroll was 5.7%. As of June 30, 2016, 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 - 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 2016, 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, 2016 were \$927,812.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$7,218,985 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the District's collective proportion was 0.146119 percent, which was an increase of 0.003447 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$721,054. At June 30, 2016, 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	\$ 109,070	\$ -
Changes of assumptions	198,757	-
Net difference between projected and actual earnings on IPERS' investments	-	600,809
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	422,658	-
District contributions subsequent to the measurement date	927,812	-
Total	<u>\$ 1,658,297</u>	<u>\$ 600,809</u>

\$927,812 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,	Amount
2017	\$ (88,382)
2018	(88,382)
2019	(88,382)
2020	376,712
2021	18,110
	<u>\$ 129,676</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 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
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in the June 30, 2015 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:

<b>Asset Class</b>	<b>Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

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 (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 12,639,145	7,218,985	2,643,982

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, 2016, the District reported payables to the defined benefit pension plan of \$129,511 for legally required employer contributions and \$86,292 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 \$613,779 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) 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	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	55,043	3,409,339
Capital assets, net of accumulated depreciation	29,603,242	-	-
General obligation bond capitalized indebtedness	(20,475,000)	-	-
Capital loan note capitalized indebtedness	(100,000)	-	-
Revenue bond capitalized indebtedness	(3,160,000)	-	-
Bus lease payable capitalized indebtedness	(19,178)	-	-
Unspent general obligation bond proceeds	-	-	-
Accrued interest payable	-	(55,043)	(59,620)
Termination benefits	-	-	-
Computer lease payable	-	-	-
Assigned for specific purposes	-	-	118,633
Net OPEB liability	-	-	(419,036)
Net pension liability	-	-	(7,035,952)
Pension related deferred outflows of resources	-	-	1,613,570
Pension related deferred inflows of resources	-	-	(564,150)
Unamortized bond premium/discount	-	-	(96,500)
Net position (Exhibit A)	<u>\$ 5,849,064</u>	<u>-</u>	<u>(3,033,716)</u>

**(11) Construction Commitment**

The District entered into contracts totaling \$8,210,704 for various projects around the District. As of June 30, 2016, costs of \$5,971,177 had been incurred against the contract. The balance remaining at June 30, 2016 will be paid as work on the projects progress.

**(12) Categorical Funding**

The District's ending restricted balances for categorical funding at June 30, 2016 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 6,148
Gifted and talented	47,977
Teacher salary supplement	40,095
Market factor	5,806
Successful progression for early readers	49,389
Professional development for model core	17,713
Professional development	30,060
Market factor	968
Total categorical funding	<u>\$ 198,156</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, 2016

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 9,753,838	679,672	10,433,510	10,075,333	10,075,333	358,177
State sources	10,582,046	6,452	10,588,498	11,085,962	11,085,962	(497,464)
Federal sources	349,082	311,265	660,347	623,500	623,500	36,847
Total revenues	20,684,966	997,389	21,682,355	21,784,795	21,784,795	(102,440)
Expenditures/Expenses:						
Instruction	11,506,035	-	11,506,035	12,810,000	12,810,000	1,303,965
Support services	5,707,521	38,994	5,746,515	6,480,850	6,480,850	734,335
Non-instructional programs	-	863,129	863,129	945,000	945,000	81,871
Other expenditures	11,005,044	-	11,005,044	12,609,633	12,609,633	1,604,589
Total expenditures/expenses	28,218,600	902,123	29,120,723	32,845,483	32,845,483	3,724,760
Excess(Deficiency) of revenues over(under) expenditures/expenses	(7,533,634)	95,266	(7,438,368)	(11,060,688)	(11,060,688)	3,622,320
Other financing sources, net	3,181,339	-	3,181,339	45,000	45,000	3,136,339
Excess(Deficiency) of revenues over(under) expenditures/expenses and other financing sources	(4,352,295)	95,266	(4,257,029)	(11,015,688)	(11,015,688)	6,758,659
Balance beginning of year	17,037,761	255,140	17,292,901	16,112,142	16,112,142	(1,180,759)
Balance end of year	\$ 12,685,466	350,406	13,035,872	5,096,454	5,096,454	5,577,900

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2016

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.

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)
2009	July 1, 2008	\$ -	\$ 557,604	557,604	0.00%	\$ 5,832,000	9.6%
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%
2016	July 1, 2014	-	546,798	546,798	0.00%	9,652,141	5.7%

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 TWO FISCAL YEARS\*

REQUIRED SUPPLEMENTARY INFORMATION

	2016	2015
District's proportion of the net pension liability	0.146119%	0.142672%
District's proportionate share of the net pension liability	\$ 7,218,985	5,658,244
District's covered-employee payroll	\$ 10,010,473	9,336,290
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.60%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 927,812	893,935	833,731	754,230	677,997	572,829	555,792	534,820	498,842	462,983
Contributions in relation to the statutorily required contribution	\$ (927,812)	(893,935)	(833,731)	(754,230)	(677,997)	(572,829)	(555,792)	(534,820)	(498,842)	(462,983)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 10,389,821	10,010,473	9,336,290	8,699,308	8,401,450	8,242,144	7,997,007	8,422,362	8,245,322	8,051,878
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	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, 2016

*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.

*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.
- 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 the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

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

SUPPLEMENTARY INFORMATION

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	Special Revenue		
	Management Levy	Student Activity	Total Special Revenue
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,761,015	304,762	2,065,777
Receivables:			
Property tax:			
Delinquent	2,497	-	2,497
Succeeding year	427,911	-	427,911
Accounts	-	641	641
Due from other governments	52	1,119	1,171
<b>TOTAL ASSETS</b>	<b>\$ 2,191,475</b>	<b>306,522</b>	<b>2,497,997</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	48,487	48,487
Salaries and benefits payable	-	726	726
Total liabilities	-	49,213	49,213
Deferred inflows of resources:			
Unavailable resources:			
Succeeding year property tax	427,911	-	427,911
Other	-	2,070	2,070
Total deferred inflows of resources	427,911	2,070	429,981
Fund balances:			
Restricted for:			
Management levy purposes	1,763,564	-	1,763,564
Student activities	-	255,239	255,239
Total fund balances	1,763,564	255,239	2,018,803
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,191,475</b>	<b>306,522</b>	<b>2,497,997</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, 2016

	Special Revenue		
	Management Levy	Student Activity	Total Special Revenue
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 411,221	-	411,221
Other	30,357	376,558	406,915
State sources	8,095	-	8,095
<b>TOTAL REVENUES</b>	<b>449,673</b>	<b>376,558</b>	<b>826,231</b>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	272,416	-	272,416
Other	-	337,495	337,495
Support services:			
Instructional staff	-	2,238	2,238
Operation and maintenance of plant	123,634	8,725	132,359
Transportation	41,560	-	41,560
<b>TOTAL EXPENDITURES</b>	<b>437,610</b>	<b>348,458</b>	<b>786,068</b>
Change in fund balances	12,063	28,100	40,163
Fund balances beginning of year	1,751,501	227,139	1,978,640
Fund balances end of year	<b>\$ 1,763,564</b>	<b>255,239</b>	<b>2,018,803</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2016

	Capital Projects			
	Statewide Sales, Services and Use Tax	Construction	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 5,533,615	1,516,218	460,933	7,510,766
Receivables:				
Property tax:				
Delinquent	-	-	3,172	3,172
Succeeding year	-	-	562,107	562,107
Accounts	17,041	-	-	17,041
Due from other governments	239,707	25,612	21,666	286,985
<b>TOTAL ASSETS</b>	<b>\$ 5,790,363</b>	<b>1,541,830</b>	<b>1,047,878</b>	<b>8,380,071</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 444,239	468,698	19,535	932,472
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	562,107	562,107
Fund balances:				
Restricted for:				
School infrastructure	5,346,124	1,073,132	-	6,419,256
Physical plant and equipment levy	-	-	466,236	466,236
Total fund balances	5,346,124	1,073,132	466,236	6,885,492
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,790,363</b>	<b>1,541,830</b>	<b>1,047,878</b>	<b>8,380,071</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, 2016

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Construction	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	559,877	559,877
Other	15,445	15,211	76,417	107,073
State sources	1,457,776	-	10,209	1,467,985
<b>TOTAL REVENUES</b>	<b>1,473,221</b>	<b>15,211</b>	<b>646,503</b>	<b>2,134,935</b>
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	237,219	23,649	260,868
Support services:				
Instructional staff	-	78,849	849	79,698
Administration	13,349	180,753	56,362	250,464
Operation and maintenance of plant	6,600	-	-	6,600
Transportation	-	-	105,693	105,693
Capital outlay	1,928,942	6,027,627	59,872	8,016,441
<b>TOTAL EXPENDITURES</b>	<b>1,948,891</b>	<b>6,524,448</b>	<b>246,425</b>	<b>8,719,764</b>
Excess(Deficiency) of revenues over(under) expenditures	(475,670)	(6,509,237)	400,078	(6,584,829)
OTHER FINANCING SOURCES(USES):				
Transfer out	-	-	(306,826)	(306,826)
Compensation for loss of capital assets	17,040	-	-	17,040
Issuance of revenue bonds	3,160,000	-	-	3,160,000
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>3,177,040</b>	<b>-</b>	<b>(306,826)</b>	<b>2,870,214</b>
Change in fund balances	2,701,370	(6,509,237)	93,252	(3,714,615)
Fund balance beginning of year	2,644,754	7,582,369	372,984	10,600,107
Fund balance end of year	\$ 5,346,124	1,073,132	466,236	6,885,492

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, 2016

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Interest	\$ -	1,164	-	(1,164)	-
FCCLA	142	917	661	-	398
Cross country	-	4,467	5,867	1,400	-
Golf	-	4,532	6,289	1,827	70
Weight	-	3,569	13,241	9,672	-
Boys basketball	10,260	12,656	7,632	-	15,284
Football	1,116	31,239	39,490	7,135	-
Boys soccer	1,234	7,050	7,912	-	372
Baseball	-	23,890	25,367	1,477	-
Boys track	11,548	8,558	5,863	-	14,243
Wrestling	1,111	18,444	18,010	-	1,545
Girls basketball	347	9,757	8,561	-	1,543
Volleyball	2,775	18,377	11,224	-	9,928
Girls soccer	532	7,772	8,913	609	-
Softball	-	12,529	12,870	517	176
Girls track	9,507	7,517	7,139	-	9,885
Athletics	83,304	38,195	20,540	(22,954)	78,005
Ecology club	1	-	-	-	1
FFA	-	19,895	16,843	-	3,052
Button club	63	-	-	-	63
High school prom	1,904	5,614	4,994	-	2,524
Special events	50,028	66,292	54,397	-	61,923
Facilities planning committee	24,161	-	-	-	24,161
Drama	5,236	3,684	5,515	-	3,405
Speech contest	2,708	2,281	3,571	-	1,418
French club	286	-	98	-	188
National honor society	-	862	1,254	392	-
Danz team	-	7,911	9,000	1,089	-
SADD	2,705	693	-	-	3,398
Thespian club	688	613	633	-	668
Student council	5,343	10,341	10,083	-	5,601
TSA	401	2,370	2,288	-	483
Yearbook	-	11,252	5,234	-	6,018
High school hall of fame	2,600	-	-	-	2,600
Cheerleading	3,461	28,954	29,955	-	2,460
Academic decathlon	-	1,725	1,706	-	19
Middle school yearbook	4,405	1,986	1,941	-	4,450
6-7 student council	1,273	1,452	1,367	-	1,358
<b>Total</b>	<b>\$ 227,139</b>	<b>376,558</b>	<b>348,458</b>	<b>-</b>	<b>255,239</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND  
 YEAR ENDED JUNE 30, 2016

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ -	46,083	46,083	-
<b>LIABILITIES</b>				
Accounts payable	\$ -	46,083	46,083	-

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,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local sources:										
Local tax	\$ 7,192,335	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
Tuition	1,704,179	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
Other	857,324	707,436	729,757	665,614	705,855	569,000	559,022	663,659	667,672	604,678
Intermediate sources	-	-	-	-	-	-	5,975	561	1,447	15,265
State sources	10,582,046	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
Federal sources	349,082	288,546	301,918	335,172	370,549	865,861	1,072,551	387,486	210,555	196,662
Total	\$ 20,684,966	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
Expenditures:										
Instruction										
Regular	\$ 7,593,239	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
Special	2,464,471	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
Other	1,448,325	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
Support services:										
Student	543,413	379,487	434,648	364,950	373,737	411,461	398,045	329,819	298,198	344,458
Instructional staff	688,787	689,203	549,166	494,517	549,125	485,563	418,460	629,557	606,907	704,582
Administration	2,113,444	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
Operation and maintenance of plant	1,628,147	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
Transportation	733,730	666,886	904,166	662,537	653,952	521,914	500,867	478,775	424,417	573,757
Non-instructional programs	-	-	-	-	-	-	282	2,934	-	-
Capital outlay	8,016,441	6,280,307	682,785	560,796	160,028	299,087	218,170	347,350	405,032	2,223,773
Long-term debt:										
Principal	1,772,424	1,176,648	9,493,649	1,210,531	985,000	955,000	920,000	810,000	830,000	490,000
Interest and fiscal charges	602,400	541,220	682,929	576,310	589,597	520,885	551,610	581,370	610,188	592,307
Other expenditures:										
AEA flow-through	613,779	590,160	554,467	521,232	499,852	542,779	522,020	484,444	466,146	441,043
Total	\$ 28,218,600	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

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, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2016.

**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, we identified deficiencies in internal control over financial reporting we consider to be a material weakness and significant deficiencies.

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 I of the accompanying Schedule of Findings as item I-A-16 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 deficiencies described in Part I of the accompanying Schedule of Findings as item I-B-16 to I-C-16 to be significant deficiencies.

**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 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 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. 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 19, 2016  
Newton, Iowa

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2016

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-16 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.

I-B-16 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 and the cash is counted by two 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 amount of money collected is verified the next day by the AD administrative assistant. The district is using pre-numbered tickets for indoor events and planning is in place for outdoor events.

Conclusion - Response accepted.

- I-C-16 Accounts Payable - We noted during our audit that the District paid a conference registration fee twice. This gives the appearance that the District is not monitoring expenses.

Recommendation - The District should review procedures to ensure that bills are only paid once.

Response - The District will follow procedures to ensure that bills are only paid once. Any invoices or check requests that do not have an invoice number listed on the document will be checked by the accounts payable specialist for earlier payments made to the vendor to ensure a duplicate payment is not paid. (The duplicate payment was reimbursed back to the District.)

Conclusion - Response accepted.

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

- II-A-16 Certified Budget - District disbursements for the year ended June 30, 2016 did not exceed the amount budgeted.
- II-B-16 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-16 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.
- II-D-16 Business Transactions - No business transactions between the District and District officials or employees were noted.

- II-E-16 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.
- II-F-16 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-16 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-16 Supplementary Weighting - We noted during our audit the supplementary weighting data certified to the Iowa Department of Education was overstated by 0.349.

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

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

Conclusion - Response accepted.

- II-I-16 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.
- II-J-16 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.
- II-K-16 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-16 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, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	2,644,754
Revenues:			
Sales tax revenues	\$	1,457,776	
Other local revenues		15,445	
Sale of long-term debt		3,160,000	
Other		17,040	4,650,261
Total revenues			<u>7,295,015</u>
Expenditures/transfers out:			
School infrastructure construction	\$	1,281,014	
Equipment		6,600	
Other		661,277	1,948,891
Ending balance		\$	<u><u>5,346,124</u></u>

For the year ended June 30, 2016, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

II-M-16 Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. In the course of our audit questions arose about the propriety of an account within the student activity fund.

**Questioned Account:** We noted during our audit a facilities planning committee account being maintained in the student activity fund that appears to be used to track donations received in prior fiscal years to be used toward athletic facility improvements.

Recommendation - This account does not appear to be related to the cocurricular or extracurricular activities of the District. The District should review this account to determine the proper fund to account for the activity.

Response - The District will transfer the amount in the account to the proper Fund to help offset the track improvement costs in 2016-17.

Conclusion - Response accepted.