

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2017

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Adel-DeSoto-Minburn Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Tim Canney	President	2019
Kelli Book	Vice President	2017
Kim Roby	Board Member	2019
Bart Banwart	Board Member	2019
Rod Collins	Board Member	2017
School Officials		
Greg Dufoe	Superintendent	2017
Nancy Gee	District Secretary/Treasurer	2017
Ahlers & Cooney	Attorney	2017

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(a professional corporation)
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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, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance 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 two years ended June 30, 2017 (which are not present herein) and expressed unmodified opinions 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 seven 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 5 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 January 12, 2018 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 in considering Adel-DeSoto-Minburn Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 12, 2018
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, 2017. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$16,210,599 in fiscal year 2016 to \$17,466,939 in fiscal year 2017, while General Fund expenditures increased from \$16,337,944 in fiscal year 2016 to \$17,993,149 in fiscal year 2017. The District's General Fund balance decreased from \$3,726,128 at June 30, 2016 to \$3,199,918 at June 30, 2017, a decrease of \$526,210 (14.12%) from the prior year.
- The increase in General Fund revenues was attributable to increases in tuition and state sources received in fiscal year 2017. 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.

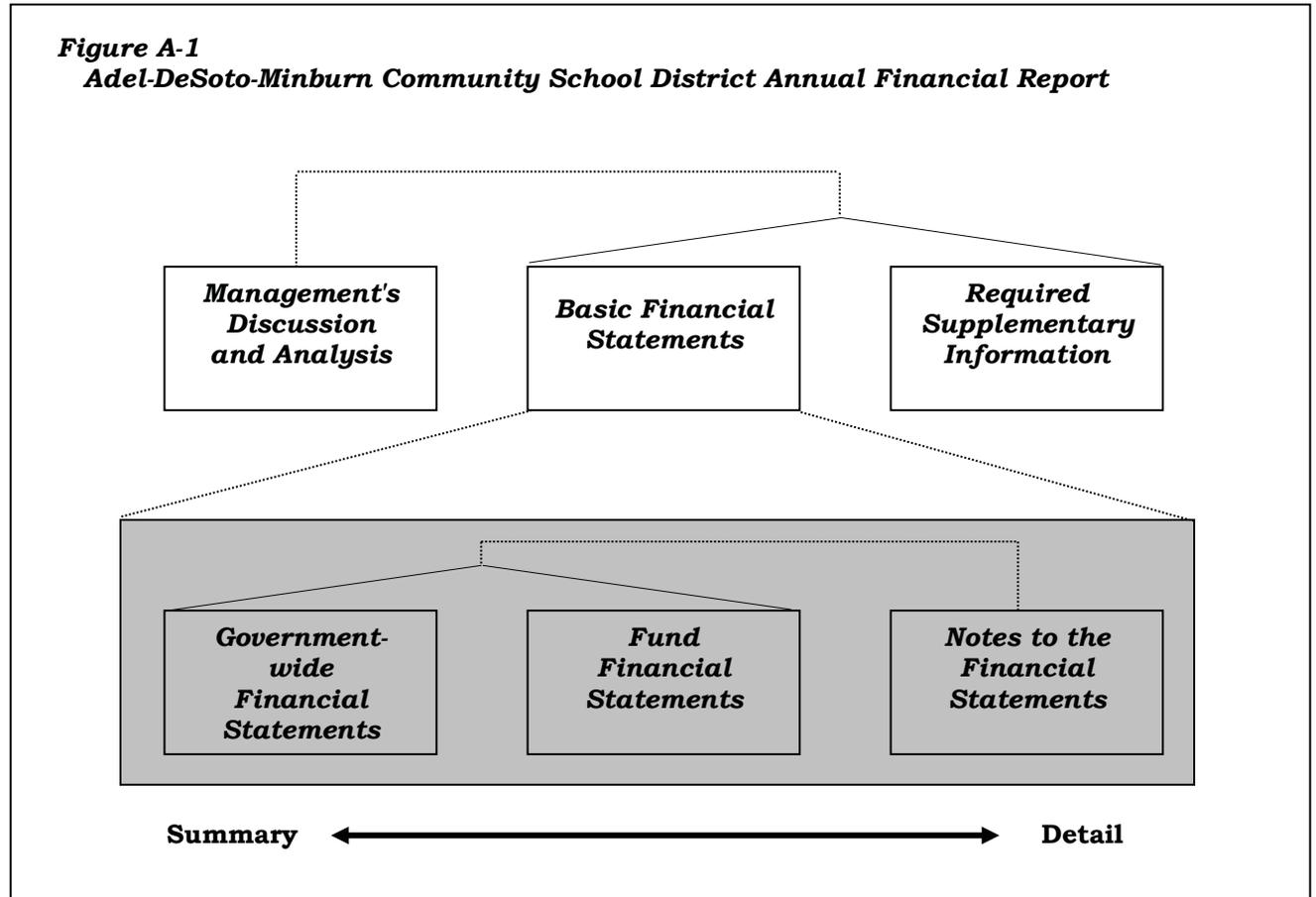


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service and childcare	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position 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 Fund, 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, 2017 compared to June 30, 2016.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-2017
Current and other assets	\$ 21,064,332	23,054,187	661,550	560,570	21,725,882	23,614,757	-8.00%
Capital assets	30,890,952	29,603,242	44,920	43,725	30,935,872	29,646,967	4.35%
Total assets	<u>51,955,284</u>	<u>52,657,429</u>	<u>706,470</u>	<u>604,295</u>	<u>52,661,754</u>	<u>53,261,724</u>	<u>-1.13%</u>
Deferred outflows of resources	2,827,903	1,613,570	58,235	44,727	2,886,138	1,658,297	74.04%
Long-term liabilities	31,961,094	31,209,166	250,935	195,060	32,212,029	31,404,226	2.57%
Other liabilities	2,930,664	3,335,441	34,497	66,897	2,965,161	3,402,338	-12.85%
Total liabilities	<u>34,891,758</u>	<u>34,544,607</u>	<u>285,432</u>	<u>261,957</u>	<u>35,177,190</u>	<u>34,806,564</u>	<u>1.06%</u>
Deferred inflows of resources	7,747,989	7,808,593	3,099	36,659	7,751,088	7,845,252	-1.20%
Net position:							
Net investment in capital assets	8,797,168	5,849,064	44,920	43,725	8,842,088	5,892,789	50.05%
Restricted	7,155,995	9,102,451	-	-	7,155,995	9,102,451	-21.38%
Unrestricted	(3,809,723)	(3,033,716)	431,254	306,681	(3,378,469)	(2,727,035)	-23.89%
Total net position	<u>\$ 12,143,440</u>	<u>11,917,799</u>	<u>476,174</u>	<u>350,406</u>	<u>12,619,614</u>	<u>12,268,205</u>	<u>2.86%</u>

The District's total net position increased by 2.86%, or \$351,409, 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 decreased \$1,946,456 or -21.38%, from the prior year. The decrease is primarily due to the decrease in amounts restricted for School Infrastructure.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$651,434, or -23.89%. This decrease in unrestricted net position was primarily a result of the decrease in reported unassigned fund balance in the General Fund compared to the prior year.

Figure A-4 shows the changes in net position for the year ended June 30, 2017 compared to the year ended June 30, 2016.

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2017	2016	2017	2016	2017	2016	2016-2017
Revenues:							
Program revenues:							
Charges for service	\$ 2,294,149	2,160,620	695,993	669,250	2,990,142	2,829,870	5.66%
Operating grants, contributions and restricted interest	1,195,755	1,081,678	321,205	317,717	1,516,960	1,399,395	8.40%
Capital grants, contributions and restricted interest	14,384	56,949	-	-	14,384	56,949	-74.74%
General revenues:							
Property tax	7,218,108	7,192,335	-	-	7,218,108	7,192,335	0.36%
Statewide sales, services and use tax	1,500,776	1,457,776	-	-	1,500,776	1,457,776	2.95%
Unrestricted state grants	9,542,216	8,473,169	-	-	9,542,216	8,473,169	12.62%
Unrestricted investment earnings	52,976	62,743	2,462	2,130	55,438	64,873	-14.54%
Other	203,839	199,696	6,502	8,292	210,341	207,988	1.13%
Total revenues	22,022,203	20,684,966	1,026,162	997,389	23,048,365	21,682,355	6.30%
Program expenses:							
Instruction	12,209,866	11,886,445	-	-	12,209,866	11,886,445	2.72%
Support services	7,031,648	6,074,266	30,301	38,994	7,061,949	6,113,260	15.52%
Non-instructional programs	8,566	-	870,093	863,129	878,659	863,129	1.80%
Other expenses	2,546,482	2,144,585	-	-	2,546,482	2,144,585	18.74%
Total expenses	21,796,562	20,105,296	900,394	902,123	22,696,956	21,007,419	8.04%
Change in net position	225,641	579,670	125,768	95,266	351,409	674,936	-47.93%
Net position beginning of year	11,917,799	11,338,129	350,406	255,140	12,268,205	11,593,269	5.82%
Net position end of year	\$ 12,143,440	11,917,799	476,174	350,406	12,619,614	12,268,205	2.86%

In fiscal year 2017, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 82.92% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.13% of the revenue from business type activities.

The District's total revenues were approximately \$23.05 million of which approximately \$22.02 million was for governmental activities and approximately \$1.03 million was for business type activities. As shown in Figure A-4, the District as a whole experienced a 6.30% increase in revenues and a 8.04% increase in expenses. The increase in expenses was primarily due to an increase in support services expenses incurred compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$22,022,203 and expenses were \$21,796,562 for the year ended June 30, 2017.

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, 2017 compared to these expenses for the year ended June 30, 2016.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2017	2016	2016-2017	2017	2016	2016-2017
Instruction	\$ 12,209,866	11,886,445	2.72%	9,401,008	9,302,698	1.06%
Support services	7,031,648	6,074,266	15.76%	6,970,701	5,972,545	16.71%
Non-instructional programs	8,566	-	100.00%	8,566	-	100.00%
Other expenses	2,546,482	2,144,585	18.74%	1,911,999	1,530,806	24.90%
Totals	<u>\$ 21,796,562</u>	<u>20,105,296</u>	<u>8.41%</u>	<u>18,292,274</u>	<u>16,806,049</u>	<u>8.84%</u>

For the year ended June 30, 2017:

- The cost financed by users of the District’s programs was \$2,294,149.
- Federal, state governments and local sources subsidized certain programs with grants and contributions totaling \$1,210,139.
- The net cost of governmental activities was financed with \$7,218,108 in property tax, \$1,500,776 in statewide sales, services and use tax, \$9,542,216 in unrestricted state grants, \$52,976 in interest income, and \$203,839 in other general revenues.

Business Type Activities

Revenues of the District’s business type activity were \$1,026,162 and expenses were \$900,394 for the year ended June 30, 2017. 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 \$10,669,950, below last year’s ending combined fund balances of \$12,685,466. The primary reason for the decrease in fund balance is due to 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 \$3,726,128 at June 30, 2016 to \$3,199,918 at June 30, 2017. Expenditures outpaced revenues 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 Management Fund balance increased from \$1,763,564 at June 30, 2016 to \$2,025,047 at June 30, 2017. The increase is primarily due to the increase in local tax dollars received during fiscal year 2017.
- The Capital Project Fund balance decreased from \$6,885,492 at June 30, 2016 to \$5,094,185 at June 30, 2017. The decrease is primarily due to the decrease in fund balance in the

Capital Projects: Statewide Sales, Services, and Use Tax Fund due to increased spending on District construction projects during the year.

- The Debt Service Fund balance increased from \$55,043 at June 30, 2016 to \$94,796 at June 30, 2017. The revenues and expenses were relatively unchanged from the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$204,026 at June 30, 2016 to \$284,725 at June 30, 2017. This represents an increase of 39.55%.

The Childcare Fund net position increased from \$146,380 at June 30, 2016 to \$191,449 at June 30, 2017. This represents an increase of 30.79%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Adel-DeSoto-Minburn Community School District amended its budget one time to reflect additional expenditures associated with construction costs.

The District's revenues were \$64,564 more than budgeted revenues, a variance of 0.28%. The most significant variance resulted from the District receiving more in Federal Sources than what was originally budgeted.

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

In spite of the District's budgetary practice, expenditures in the support services function exceeded the amount budgeted for fiscal year 2017.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested \$30,935,872 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 4.35% 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 \$1,458,465.

The original cost of the District's capital assets was \$44,668,672. Governmental activities account for \$44,370,259 with the remainder of \$298,413 accounted for in the District's business type activities.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$20,738,453 at June 30, 2016 as compared to \$25,260,755 at June 30, 2017. This increase is primarily due to the completion of the Middle School/High School addition/renovation project during fiscal year 2017.

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,
	2017	2016	2017	2016	2017	2016	2016-2017
Land	\$ 669,715	669,715	-	-	669,715	669,715	0.00%
Construction in progress	2,778,236	5,971,177	-	-	2,778,236	5,971,177	-53.47%
Buildings	25,260,755	20,738,453	-	-	25,260,755	20,738,453	21.81%
Land improvements	1,627,894	1,720,581	-	-	1,627,894	1,720,581	-5.39%
Machinery and equipment	554,352	503,316	44,920	43,725	599,272	547,041	9.55%
Total	\$ 30,890,952	29,603,242	44,920	43,725	30,935,872	29,646,967	4.35%

Long-Term Debt

At June 30, 2017, the District had \$22,600,000 in general obligation bonds payable, revenue bonds 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 \$19,540,000 at June 30, 2017.
- The District had outstanding revenue bonds payable of \$3,060,000 at June 30, 2017.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-2017
General obligation bonds	\$ 19,540,000	20,475,000	-	-	19,540,000	20,475,000	-4.57%
Revenue bonds	3,060,000	3,160,000	-	-	3,060,000	3,160,000	-3.16%
Capital loan notes	-	100,000	-	-	-	100,000	-100.00%
Bus lease	-	19,178	-	-	-	19,178	-100.00%
Total	\$ 22,600,000	23,754,178	-	-	22,600,000	23,754,178	-4.86%

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:

- If the enrollment grows above current projections, the District will have to bond for a new school building which could impact tax rates.
- The City of Adel is continuing with a very aggressive tax abatement program which has impacted enrollment growth. Enrollment growth generates more funding but if the state supplemental assistance (SSA) percent increase given continues to be so low, it will not cover all of the added expenses for additional staff and keep the class sizes at a reasonable level. The City voted to change the abatement program to a sliding scale for 2019-2020 and the abatement program will end after 2020. This may slow growth to a more manageable level.

-
- The District's special education deficit continues to grow. The deficit for 2017 was \$744,405, an increase of \$95,264 from the prior year. The deficit is contributing to the decreasing fund balance.
 - The District was restricted from levying additional cash for several years and was forced to spend down the fund balance. The District will begin to levy cash in 2019 for unfunded spending authority.
 - Due to the Chapter 29 legislative changes made in 2017, the District was able to negotiate a two- year agreement with the Adel-DeSoto-Minburn Education Association at a lower total package increase for FY 2018 and FY 2019. The legislative changes were implemented to help control staffing cost.

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, 2017

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 12,673,848	656,237	13,330,085
Receivables:			
Property tax:			
Delinquent	46,323	-	46,323
Succeeding year	7,639,141	-	7,639,141
Accounts	5,941	551	6,492
Unamortized discount on bonds issued	99,318	-	99,318
Due from other governments	599,761	-	599,761
Inventories	-	4,762	4,762
Capital assets not being depreciated:			
Land and construction in progress	3,447,951	-	3,447,951
Capital assets, net of accumulated depreciation:			
Buildings and land improvements and machinery and equipment	27,443,001	44,920	27,487,921
TOTAL ASSETS	51,955,284	706,470	52,661,754
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	2,827,903	58,235	2,886,138
LIABILITIES			
Accounts payable	1,073,910	642	1,074,552
Salaries and benefits payable	1,578,817	9,426	1,588,243
Accrued interest payable	94,181	-	94,181
Unearned revenue	-	24,429	24,429
Unamortized bond premium	183,756	-	183,756
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	945,000	-	945,000
Revenue bonds payable	235,000	-	235,000
Portion due after one year:			
General obligation bonds payable	18,595,000	-	18,595,000
Revenue bonds payable	2,825,000	-	2,825,000
Net pension liability	8,875,224	236,990	9,112,214
Net OPEB liability	485,870	13,945	499,815
TOTAL LIABILITIES	34,891,758	285,432	35,177,190
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	7,639,141	-	7,639,141
Pension related deferred inflows	105,652	3,099	108,751
Other	3,196	-	3,196
TOTAL DEFERRED INFLOWS OF RESOURCES	7,747,989	3,099	7,751,088
NET POSITION			
Net investment in capital assets	8,797,168	44,920	8,842,088
Restricted for:			
Categorical funding	286,360	-	286,360
Debt service	615	-	615
School infrastructure	4,376,299	-	4,376,299
Physical plant and equipment levy	211,670	-	211,670
Management levy purposes	2,025,047	-	2,025,047
Student activities	256,004	-	256,004
Unrestricted	(3,809,723)	431,254	(3,378,469)
TOTAL NET POSITION	\$ 12,143,440	476,174	12,619,614

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 8,160,160	1,562,918	123,339	-	(6,473,903)	-	(6,473,903)
Special	2,720,731	366,546	249,208	-	(2,104,977)	-	(2,104,977)
Other	1,328,975	356,984	149,863	-	(822,128)	-	(822,128)
	<u>12,209,866</u>	<u>2,286,448</u>	<u>522,410</u>	<u>-</u>	<u>(9,401,008)</u>	<u>-</u>	<u>(9,401,008)</u>
Support services:							
Student	576,750	-	-	-	(576,750)	-	(576,750)
Instructional staff	1,207,161	-	22,669	-	(1,184,492)	-	(1,184,492)
Administration	2,418,642	-	-	-	(2,418,642)	-	(2,418,642)
Operation and maintenance of plant	1,994,107	-	-	14,384	(1,979,723)	-	(1,979,723)
Transportation	834,988	7,701	16,193	-	(811,094)	-	(811,094)
	<u>7,031,648</u>	<u>7,701</u>	<u>38,862</u>	<u>14,384</u>	<u>(6,970,701)</u>	<u>-</u>	<u>(6,970,701)</u>
Non-instructional programs:							
Food Service Operations	8,566	-	-	-	(8,566)	-	(8,566)
Long-term debt interest	654,405	-	-	-	(654,405)	-	(654,405)
Other expenses:							
AEA flowthrough	634,483	-	634,483	-	-	-	-
Depreciation (unallocated)*	1,257,594	-	-	-	(1,257,594)	-	(1,257,594)
	<u>1,892,077</u>	<u>-</u>	<u>634,483</u>	<u>-</u>	<u>(1,257,594)</u>	<u>-</u>	<u>(1,257,594)</u>
Total governmental activities	<u>21,796,562</u>	<u>2,294,149</u>	<u>1,195,755</u>	<u>14,384</u>	<u>(18,292,274)</u>	<u>-</u>	<u>(18,292,274)</u>
Business type activities:							
Support services:							
Instructional Staff	65	-	-	-	-	(65)	(65)
Administration	5,994	-	-	-	-	(5,994)	(5,994)
Operation and maintenance of plant	24,242	-	-	-	-	(24,242)	(24,242)
Non-instructional programs:							
Food service operations	822,022	603,303	321,205	-	-	102,486	102,486
Community service operations	48,071	92,690	-	-	-	44,619	44,619
Total business type activities	<u>900,394</u>	<u>695,993</u>	<u>321,205</u>	<u>-</u>	<u>-</u>	<u>116,804</u>	<u>116,804</u>
Total	<u>\$ 22,696,956</u>	<u>2,990,142</u>	<u>1,516,960</u>	<u>14,384</u>	<u>(18,292,274)</u>	<u>116,804</u>	<u>(18,175,470)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 5,124,455	-		5,124,455
Debt service				1,531,327	-		1,531,327
Capital outlay				562,326	-		562,326
Statewide sales, services and use tax				1,500,776	-		1,500,776
Unrestricted state grants				9,542,216	-		9,542,216
Unrestricted investment earnings				52,976	2,462		55,438
Other				203,839	6,502		210,341
Total general revenues				<u>18,517,915</u>	<u>8,964</u>		<u>18,526,879</u>
Change in net position				225,641	125,768		351,409
Net position beginning of year				11,917,799	350,406		12,268,205
Net position end of year				<u>\$ 12,143,440</u>	<u>476,174</u>		<u>12,619,614</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Management	Capital Projects	Debt Service	Nonmajor - Student Activity	Total
ASSETS						
Cash and pooled investments	\$ 4,616,965	2,020,035	5,677,130	85,301	274,417	12,673,848
Receivables:						
Property tax:						
Delinquent	30,525	2,816	3,487	9,495	-	46,323
Succeeding year	4,944,835	308,156	590,193	1,795,957	-	7,639,141
Accounts	4,536	-	-	-	1,405	5,941
Due from other governments	471,642	2,196	124,918	-	1,005	599,761
TOTAL ASSETS	\$ 10,068,503	2,333,203	6,395,728	1,890,753	276,827	20,965,014
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 342,670	-	711,350	-	19,890	1,073,910
Salaries and benefits payable	1,578,144	-	-	-	673	1,578,817
Total liabilities	1,920,814	-	711,350	-	20,563	2,652,727
Deferred inflows of resources:						
Unavailable resources:						
Succeeding year property tax	4,944,835	308,156	590,193	1,795,957	-	7,639,141
Other	2,936	-	-	-	260	3,196
Total deferred inflows of resources	4,947,771	308,156	590,193	1,795,957	260	7,642,337
Fund balances:						
Restricted for:						
Categorical funding	286,360	-	-	-	-	286,360
Debt service	-	-	-	94,796	-	94,796
School infrastructure	-	-	4,882,515	-	-	4,882,515
Physical plant and equipment levy	-	-	211,670	-	-	211,670
Management levy purposes	-	2,025,047	-	-	-	2,025,047
Student activities	-	-	-	-	256,004	256,004
Assigned	100,665	-	-	-	-	100,665
Unassigned	2,812,893	-	-	-	-	2,812,893
Total fund balances	3,199,918	2,025,047	5,094,185	94,796	256,004	10,669,950
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,068,503	2,333,203	6,395,728	1,890,753	276,827	20,965,014

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, 2017

Total fund balances of governmental funds (page 20)	\$	10,669,950
 <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.		30,890,952
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.		(94,181)
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	\$2,827,903	
Deferred inflows of resources	<u>(105,652)</u>	2,722,251
Long-term liabilities, including general obligation bonds payable, revenue bonds 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>(32,045,532)</u>
Net position of governmental activities (page 18)	\$	<u><u>12,143,440</u></u>

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, 2017

	General	Management	Capital Projects	Debt Service	Nonmajor - Student Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 4,694,880	429,575	562,326	1,531,327	-	7,218,108
Tuition	1,813,953	-	-	-	-	1,813,953
Other	363,813	39,109	67,883	1,744	379,471	852,020
State sources	10,164,071	7,906	1,510,351	26,076	-	11,708,404
Federal sources	429,718	-	-	-	-	429,718
Total revenues	17,466,435	476,590	2,140,560	1,559,147	379,471	22,022,203
EXPENDITURES:						
Current:						
Instruction:						
Regular	7,438,843	55,850	415,944	-	-	7,910,637
Special	2,627,142	-	-	-	-	2,627,142
Other	1,190,519	-	-	-	345,204	1,535,723
	11,256,504	55,850	415,944	-	345,204	12,073,502
Support services:						
Student	498,074	-	-	-	-	498,074
Instructional staff	1,184,478	857	72,175	-	3,962	1,261,472
Administration	2,064,177	5,078	381,839	-	-	2,451,094
Operation and maintenance of plant	1,660,265	103,566	29,662	-	5,380	1,798,873
Transportation	695,168	41,190	102,924	-	-	839,282
	6,102,162	150,691	586,600	-	9,342	6,848,795
Non-instructional programs:						
Food service operations	-	8,566	-	-	-	8,566
Capital outlay						
	-	-	2,643,812	-	-	2,643,812
Long-term debt:						
Principal	-	-	-	1,154,178	-	1,154,178
Interest and fiscal charges	-	-	-	674,887	-	674,887
	-	-	-	1,829,065	-	1,829,065
Other expenditures:						
AEA flowthrough	634,483	-	-	-	-	634,483
TOTAL EXPENDITURES	17,993,149	215,107	3,646,356	1,829,065	354,546	24,038,223
Excess(Deficiency) of revenues over(under) expenditures	(526,714)	261,483	(1,505,796)	(269,918)	24,925	(2,016,020)
Other financing sources(uses):						
Proceeds from sale of equipment	504	-	-	-	-	504
Transfer in	-	-	24,160	309,671	-	333,831
Transfer out	-	-	(309,671)	-	(24,160)	(333,831)
Total other financing sources(uses)	504	-	(285,511)	309,671	(24,160)	504
Change in fund balances	(526,210)	261,483	(1,791,307)	39,753	765	(2,015,516)
Fund balances beginning of year	3,726,128	1,763,564	6,885,492	55,043	255,239	12,685,466
Fund balances end of year	\$ 3,199,918	2,025,047	5,094,185	94,796	256,004	10,669,950

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, 2017

Change in fund balances - total governmental funds (page 22) \$ (2,015,516)

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	\$ 2,733,041	
Depreciation expense	<u>(1,445,331)</u>	1,287,710

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. 1,154,178

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. 20,482

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 999,499

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows:

Pension expense	(1,165,940)	
Unamortized bond premium/discount	12,062	
Other postemployment benefits	<u>(66,834)</u>	<u>(1,220,712)</u>

Change in net position of governmental activities (page 19) \$ 225,641

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Enterprise Funds		
	School Nutrition	Childcare	Total
ASSETS:			
Current assets:			
Cash and pooled investments	\$ 453,634	202,603	656,237
Accounts receivable	551	-	551
Inventories	4,762	-	4,762
Total current assets	458,947	202,603	661,550
Noncurrent assets:			
Capital assets, net of accumulated depreciation	43,080	1,840	44,920
TOTAL ASSETS	502,027	204,443	706,470
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	52,739	5,496	58,235
LIABILITIES			
Current liabilities:			
Accounts payable	197	445	642
Salaries and benefits payable	8,531	895	9,426
Unearned revenue	24,429	-	24,429
Total current liabilities	33,157	1,340	34,497
Noncurrent liabilities:			
Net OPEB liability	13,145	800	13,945
Net pension liability	220,890	16,100	236,990
Total noncurrent liabilities	234,035	16,900	250,935
Total liabilities	267,192	18,240	285,432
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	2,849	250	3,099
NET POSITION			
Net investment in capital assets	43,080	1,840	44,920
Unrestricted	241,645	189,609	431,254
TOTAL NET POSITION	\$ 284,725	191,449	476,174

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, 2017

	Enterprise Funds		
	School Nutrition	Childcare	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 603,303	92,690	695,993
Miscellaneous	6,471	31	6,502
TOTAL OPERATING REVENUES	609,774	92,721	702,495
OPERATING EXPENSES:			
Support services:			
Instructional staff:			
Services	-	65	65
Administration:			
Services	458	251	709
Supplies	5,285	-	5,285
	5,743	251	5,994
Operation and maintenance of plant:			
Salaries	11,887	-	11,887
Benefits	1,971	-	1,971
Services	8,699	-	8,699
Supplies	1,685	-	1,685
	24,242	-	24,242
Total support services	29,985	316	30,301
Non-instructional programs:			
Food service operations:			
Salaries	261,999	-	261,999
Benefits	83,266	-	83,266
Supplies	464,192	-	464,192
Depreciation	12,565	-	12,565
	822,022	-	822,022
Community service operations:			
Salaries	-	32,552	32,552
Benefits	-	7,255	7,255
Supplies	-	7,425	7,425
Depreciation	-	569	569
Other	-	270	270
	-	48,071	48,071
Total non-instructional programs	822,022	48,071	870,093
TOTAL OPERATING EXPENSES	852,007	48,387	900,394
OPERATING INCOME(LOSS)	(242,233)	44,334	(197,899)
NON-OPERATING REVENUES:			
State sources	6,759	-	6,759
Federal sources	314,446	-	314,446
Interest income	1,727	735	2,462
TOTAL NON-OPERATING REVENUES	322,932	735	323,667
Change in net position	80,699	45,069	125,768
Net position beginning of year	204,026	146,380	350,406
Net position end of year	\$ 284,725	191,449	476,174

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Enterprise Funds		
	School Nutrition	Childcare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 606,399	-	606,399
Cash received from childcare services	-	92,580	92,580
Cash received from miscellaneous	6,471	31	6,502
Cash payments to employees for services	(381,237)	(42,905)	(424,142)
Cash payments to suppliers for goods or services	(425,745)	(7,896)	(433,641)
Net cash provided by(used in) operating activities	(194,112)	41,810	(152,302)
Cash flows from non-capital financing activities:			
State grants received	6,759	-	6,759
Federal grants received	264,395	-	264,395
Net cash provided by non-capital financing activities	271,154	-	271,154
Cash flows from capital and related financing activities:			
Purchase of capital assets	(13,072)	(1,257)	(14,329)
Cash flows from investing activities:			
Interest on investments	1,727	735	2,462
Net increase in cash and pooled investments	65,697	41,288	106,985
Cash and pooled investments beginning of year	387,937	161,315	549,252
Cash and pooled investments end of year	\$ 453,634	202,603	656,237
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (242,233)	44,334	(197,899)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	52,917	-	52,917
Depreciation	12,565	569	13,134
Decrease in inventories	1,840	-	1,840
Decrease in accounts receivable	1,299	-	1,299
Increase(Decrease) in accounts payable	(183)	115	(68)
Decrease in salaries and benefits payable	(30,722)	(3,297)	(34,019)
Increase(Decrease) in unearned revenue	1,797	(110)	1,687
Increase in net pension liability	49,603	4,354	53,957
Increase in deferred outflows of resources	(11,320)	(2,188)	(13,508)
Decrease in deferred inflows of resources	(31,483)	(2,077)	(33,560)
Increase in other postemployment benefits payable	1,808	110	1,918
Net cash provided by(used in) operating activities	\$ (194,112)	41,810	(152,302)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2017, the District received Federal commodities valued at \$52,917.

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

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

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2017

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <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>\$ 550</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

(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 is often subject to constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 Management Levy Fund is utilized to account for the tax revenues and the payment of property insurance and unemployment benefits.

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 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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2016.

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, acquired after July 1st, 1980, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. 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
Intangibles	3-10 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 year(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.

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

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to future year(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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax 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, as well as revenue received which will not be recognized as revenue until the succeeding fiscal year.

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 the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30th, 2017, expenditures exceeded the amounts budgeted in the support services function.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2017 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, 2017, the District had no investments.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 19,828
Capital Projects: Statewide Sales, Services and Use Tax	Student Activity	24,160
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	188,843
Debt Service	Capital Projects: Physical Plant and Equipment Levy	101,000
Total		\$ 333,831

The transfer from the Student Activity Fund to the Capital Projects: Statewide Sales, Services, and Use Tax Fund was a corrective transfer requested by the auditors in the prior year.

The transfers from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for the principal and interest payments for the District’s capital loan note, and bus lease indebtedness.

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2017 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 669,715	-	-	669,715
Construction in progress	5,971,177	2,494,268	(5,687,209)	2,778,236
Total capital assets not being depreciated	<u>6,640,892</u>	<u>2,494,268</u>	<u>(5,687,209)</u>	<u>3,447,951</u>
Capital assets being depreciated:				
Buildings	29,889,919	5,687,209	(90,611)	35,486,517
Land improvements	2,877,899	-	-	2,877,899
Machinery and equipment	2,319,119	238,773	-	2,557,892
Total capital assets being depreciated	<u>35,086,937</u>	<u>5,925,982</u>	<u>(90,611)</u>	<u>40,922,308</u>
Less accumulated depreciation for:				
Buildings	9,151,466	1,164,907	90,611	10,225,762
Land improvements	1,157,318	92,687	-	1,250,005
Machinery and equipment	1,815,803	187,737	-	2,003,540
Total accumulated depreciation	<u>12,124,587</u>	<u>1,445,331</u>	<u>90,611</u>	<u>13,479,307</u>
Total capital assets being depreciated, net	<u>22,962,350</u>	<u>4,480,651</u>	<u>-</u>	<u>27,443,001</u>
Governmental activities capital assets, net	<u>\$ 29,603,242</u>	<u>6,974,919</u>	<u>(5,687,209)</u>	<u>30,890,952</u>
Business type activities:				
Machinery and equipment	\$ 291,420	14,329	(7,336)	298,413
Less accumulated depreciation	247,695	13,134	7,336	253,493
Business type activities capital assets, net	<u>\$ 43,725</u>	<u>1,195</u>	<u>-</u>	<u>44,920</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 5,089
Other	7,354
Support services:	
Instructional staff	18,895
Administration	3,363
Operation and maintenance of plant	19,643
Transportation	133,393
	<u>187,737</u>
Unallocated depreciation	<u>1,257,594</u>
Total governmental activities depreciation expense	<u>\$ 1,445,331</u>
Business type activities:	
Food service operations	12,565
Childcare operations	569
Total	<u>\$ 13,134</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 20,475,000	-	935,000	19,540,000	945,000
Revenue bonds	3,160,000	-	100,000	3,060,000	235,000
Capital loan notes	100,000	-	100,000	-	-
Bus lease	19,178	-	19,178	-	-
Net pension liability	7,035,952	1,839,272	-	8,875,224	-
Net OPEB liability	419,036	66,834	-	485,870	-
Total	\$ 31,209,166	1,906,106	1,154,178	31,961,094	1,180,000
Business type activities:					
Net OPEB liability	12,027	1,918	-	13,945	-
Net pension liability	183,033	53,957	-	236,990	-
Total	\$ 195,060	55,875	-	250,935	-

General Obligation Bonds Payable

Details of the District's June 30, 2017 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		
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	4.25	-	20,612	2.00	960,000	42,085		
2023-2025	4.25	485,000	61,836	2.10-2.20	1,085,000	25,084		
		\$ 485,000	164,896		\$ 5,765,000	385,609		

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	
2018	3.00 %	\$ -	363,375	2.00 %	\$ 35,000	83,082	945,000	565,084	1,510,084	
2019	3.00	-	363,375	2.00	35,000	82,382	960,000	553,464	1,513,464	
2020	3.00	-	363,375	2.10	40,000	81,681	975,000	539,813	1,514,813	
2021	3.00	-	363,375	2.40	40,000	80,881	990,000	524,053	1,514,053	
2022	3.00	-	363,375	2.60	45,000	80,081	1,005,000	506,153	1,511,153	
2023-2027	3.00	430,000	1,816,875	2.90-3.50	3,375,000	275,386	5,375,000	2,179,181	7,554,181	
2028-2032	3.00-4.00	6,380,000	1,335,250	-	-	-	6,380,000	1,335,250	7,715,250	
2033-2034	4.00	2,910,000	175,800	-	-	-	2,910,000	175,800	3,085,800	
		\$ 9,720,000	5,144,800		3,570,000	683,493	19,540,000	6,378,798	25,918,798	

Revenue Bonds Payable

Details of the District's June 30, 2017 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 Rates	Principal	Interest		Interest Rates	Principal	Interest	Principal	Interest	Total
2018	2.50 %	\$ 117,500	38,250		1.15 %	117,500	30,529	235,000	68,779	303,779
2019	2.50	117,500	35,313		1.35	117,500	29,178	235,000	64,490	299,490
2020	2.50	120,000	32,375		1.55	120,000	27,591	240,000	59,966	299,966
2021	2.50	120,000	29,375		1.70	120,000	25,731	240,000	55,106	295,106
2022	2.50	122,500	26,375		1.80	122,500	23,691	245,000	50,066	295,066
2023-2027	2.50	650,000	84,688		1.90-2.40	650,000	81,328	1,300,000	166,015	1,466,015
2028-2029	2.50	282,500	10,625		2.55-2.70	282,500	11,265	565,000	21,890	586,890
		<u>\$ 1,530,000</u>	<u>257,000</u>			<u>1,530,000</u>	<u>229,313</u>	<u>3,060,000</u>	<u>486,313</u>	<u>3,546,313</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,060,000 of bonds issued March 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 2029. 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 20.24% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,546,313. For the current year, \$100,000 in principal and \$88,843 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,500,776.

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, 2017, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 96,981
Interest on net OPEB obligation	10,777
Adjustment to annual required contribution	(30,104)
Annual OPEB cost	<u>77,654</u>
Contributions made	(8,902)
Increase in net OPEB obligation	<u>68,752</u>
Net OPEB obligation beginning of year	<u>431,063</u>
Net OPEB obligation end of year	<u>\$ 499,815</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, 2017.

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, 2017, are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	79,237	19.5%	367,989
2016	76,838	17.9%	431,063
2017	77,654	11.5%	499,815

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$514,301, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$514,301. The covered payroll (annual payroll of active employees covered by the plan) was \$10,668,272, and the ratio of the UAAL to covered payroll was 4.8%. As of June 30, 2017, 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.

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., except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

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

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

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the District contributed 8.93 percent of covered payroll for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2017 were \$1,026,813.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$9,112,214 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the District's proportion was 0.144792 percent, which was a decrease of 0.001327 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,200,143. At June 30, 2017, 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	\$ 80,534	\$ 108,751
Changes of assumptions	139,024	-
Net difference between projected and actual earnings on IPERS' investments	1,298,203	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	341,564	-
District contributions subsequent to the measurement date	1,026,813	-
Total	<u>\$ 2,886,138</u>	<u>\$ 108,751</u>

\$1,026,813 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, 2018. 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
2018	\$ 295,073
2019	295,073
2020	763,330
2021	402,844
2022	(5,746)
	<u>\$ 1,750,574</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 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, 2016 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 IPERS' 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50 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 to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 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 1% lower (6.5 percent) or 1% 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	\$ 14,742,328	9,112,214	4,360,323

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

Payables to IPERS - At June 30, 2017, the District reported payables to IPERS of \$116,673 for legally required employer contributions and \$77,738 for legally required District contributions withheld from employee wages which had 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 \$634,483 for the year ended June 30, 2017 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	School Infrastructure	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	4,882,515	94,796	2,812,893
Capital assets, net of accumulated depreciation	30,890,952	-	-	-
General obligation bond capitalized indebtedness	(19,033,784)	-	-	-
Revenue bond capitalized indebtedness	(3,060,000)	-	-	-
Unspent general obligation bond proceeds	-	(506,216)	-	-
Accrued interest payable	-	-	(94,181)	-
Assigned for specific purposes	-	-	-	100,665
Net OPEB liability	-	-	-	(485,870)
Net pension liability	-	-	-	(8,875,224)
Pension related deferred outflows of resources	-	-	-	2,827,903
Pension related deferred inflows of resources	-	-	-	(105,652)
Unamortized bond premium/discount	-	-	-	(84,438)
Net position (Exhibit A)	<u>\$ 8,797,168</u>	<u>4,376,299</u>	<u>615</u>	<u>(3,809,723)</u>

(11) Construction Commitment

The District entered into outstanding contracts totaling \$2,798,236 for various projects around the District. As of June 30, 2017, costs of \$2,778,236 had been incurred against the contract. The balance remaining at June 30, 2017 will be paid as work on the projects progress.

(12) Categorical Funding

The District's ending restricted balances for categorical funding at June 30, 2017 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 5,868
Gifted and talented	59,923
Teacher salary supplement	46,658
Market factor	5,806
Successful progression for early readers	53,629
Professional development for model core curriculum	23,706
Market factor incentives	968
Teacher leadership grants	89,802
Total categorical funding	<u>\$ 286,360</u>

(13) New Accounting Pronouncement

The District adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements of other entities which impact the District.

(14) Tax Abatements

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

Tax Abatements of Other Entities

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Adel	Urban Renewal and economic development projects	\$ 6,342
	Urban Revitalization	334,993
City of De Soto	Urban Renewal and economic development projects	10,481

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2017, this reimbursement amounted to \$8,035.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's other postemployment benefits.

(16) Budget Overexpenditure

Per Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2017, expenditures in the support services function exceeded amounts budgeted.

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, 2017

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 9,884,081	704,957	10,589,038	10,483,545	10,483,545	105,493
State sources	11,708,404	6,759	11,715,163	11,873,256	11,873,256	(158,093)
Federal sources	429,718	314,446	744,164	627,000	627,000	117,164
Total revenues	22,022,203	1,026,162	23,048,365	22,983,801	22,983,801	64,564
Expenditures/Expenses:						
Instruction	12,073,502	-	12,073,502	12,595,000	12,595,000	521,498
Support services	6,848,795	30,301	6,879,096	6,873,200	6,873,200	(5,896)
Non-instructional programs	8,566	870,093	878,659	940,000	940,000	61,341
Other expenditures	5,107,360	-	5,107,360	5,673,970	6,460,000	1,352,640
Total expenditures/expenses	24,038,223	900,394	24,938,617	26,082,170	26,868,200	1,929,583
Excess(Deficiency) of revenues over(under) expenditures/expenses	(2,016,020)	125,768	(1,890,252)	(3,098,369)	(3,884,399)	1,994,147
Other financing sources, net	504	-	504	45,000	45,000	(44,496)
Excess(Deficiency) of revenues over(under) expenditures/expenses and other financing sources	(2,015,516)	125,768	(1,889,748)	(3,053,369)	(3,839,399)	1,949,651
Balances beginning of year	12,685,466	350,406	13,035,872	10,750,777	10,750,777	(2,285,095)
Balances end of year	\$ 10,669,950	476,174	11,146,124	7,697,408	6,911,378	(335,444)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2017

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budget expenditures by \$786,030.

During the year ended June 30, 2017, expenditures in the support services function exceeded the amounts budgeted.

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%
2017	July 1, 2014	-	514,301	514,301	0.00%	10,668,272	4.8%

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
 FOR THE LAST THREE FISCAL YEARS*

REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015
District's proportion of the net pension liability	0.144792%	0.146119%	0.142672%
District's proportionate share of the net pension liability	\$ 9,112,214	7,218,985	5,658,244
District's covered-employee payroll	\$ 10,389,821	10,010,473	9,336,290
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.70%	72.11%	60.60%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	\$ 1,026,813	927,812	893,935	833,731	754,230	677,997	572,829	555,792	534,820	498,842
Contributions in relation to the statutorily required contribution	\$ (1,026,813)	(927,812)	(893,935)	(833,731)	(754,230)	(677,997)	(572,829)	(555,792)	(534,820)	(498,842)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 11,498,463	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
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
YEAR ENDED JUNE 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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 (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2017

	Capital Projects			
	Statewide Sales, Services and Use Tax	Construction	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 4,444,950	774,033	458,147	5,677,130
Receivables:				
Property tax:				
Delinquent	-	-	3,487	3,487
Succeeding year	-	-	590,193	590,193
Due from other governments	124,918	-	-	124,918
TOTAL ASSETS	\$ 4,569,868	774,033	1,051,827	6,395,728
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 193,569	267,817	249,964	711,350
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	590,193	590,193
Fund balances:				
Restricted for:				
School infrastructure	4,376,299	506,216	-	4,882,515
Physical plant and equipment levy	-	-	211,670	211,670
Total fund balances	4,376,299	506,216	211,670	5,094,185
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,569,868	774,033	1,051,827	6,395,728

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2017

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Construction	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	562,326	562,326
Other	18,257	33,372	16,254	67,883
State sources	1,500,776	-	9,575	1,510,351
TOTAL REVENUES	1,519,033	33,372	588,155	2,140,560
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	190,905	225,039	415,944
Support services:				
Instructional staff	-	56,154	16,021	72,175
Administration	40,290	-	341,549	381,839
Operation and maintenance of plant	3,102	-	26,560	29,662
Transportation	-	-	102,924	102,924
Capital outlay	2,280,783	353,229	9,800	2,643,812
TOTAL EXPENDITURES	2,324,175	600,288	721,893	3,646,356
Excess(Deficiency) of revenues over(under) expenditures	(805,142)	(566,916)	(133,738)	(1,505,796)
OTHER FINANCING SOURCES(USES):				
Transfer in	24,160	-	-	24,160
Transfer out	(188,843)	-	(120,828)	(309,671)
TOTAL OTHER FINANCING SOURCES(USES)	(164,683)	-	(120,828)	(285,511)
Change in fund balances	(969,825)	(566,916)	(254,566)	(1,791,307)
Fund balances beginning of year	5,346,124	1,073,132	466,236	6,885,492
Fund balances end of year	\$ 4,376,299	506,216	211,670	5,094,185

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, 2017

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Interfund Transfers	Balance End of Year
Interest	\$ -	1,176	-	(1,176)	-	-
FCCLA	398	639	694	-	-	343
Cross country	-	8,487	5,022	(1,399)	-	2,066
Golf	70	8,493	10,657	2,094	-	-
Weight	-	1,154	16,269	15,115	-	-
Boys basketball	15,284	14,071	14,149	-	-	15,206
Football	-	38,752	18,616	(7,135)	-	13,001
Boys soccer	372	10,722	11,714	620	-	-
Baseball	-	14,167	16,645	2,478	-	-
Boys track	14,243	11,196	16,584	-	-	8,855
Wrestling	1,545	22,400	19,512	-	-	4,433
Girls basketball	1,543	8,762	8,107	-	-	2,198
Volleyball	9,928	15,013	14,637	-	-	10,304
Girls soccer	-	11,287	8,735	(609)	-	1,943
Softball	176	8,171	16,160	7,913	-	100
Girls track	9,885	11,207	13,850	-	-	7,242
Athletics	78,005	28,516	18,159	(17,895)	-	70,467
Ecology club	1	-	-	-	-	1
FFA	3,052	25,054	21,363	-	-	6,743
Other Clubs	63	-	-	-	-	63
High school prom	2,524	5,874	5,818	-	-	2,580
Special events	61,923	72,559	59,362	-	-	75,120
Facilities planning committee	24,161	-	1	-	(24,160)	-
Drama	3,405	2,576	3,706	-	-	2,275
Speech contest	1,418	5,018	3,023	-	-	3,413
French club	188	55	108	-	-	135
National honor society	-	1,162	1,209	47	-	-
Danz team	-	13,102	10,026	(1,089)	-	1,987
SADD	3,398	1,188	167	-	-	4,419
Thespian club	668	454	632	-	-	490
Student council	5,601	5,898	6,532	-	-	4,967
TSA	483	849	911	-	-	421
Yearbook	6,018	10,650	10,903	-	-	5,765
High school hall of fame	2,600	-	-	-	-	2,600
Cheerleading	2,460	16,579	19,072	33	-	-
Academic decathlon	19	861	1,883	1,003	-	-
Middle school yearbook	1,358	1,062	-	-	-	2,420
Middle school Student Council	4,450	2,317	320	-	-	6,447
Total	\$ 255,239	379,471	354,546	-	(24,160)	256,004

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, 2017

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ -	51,293	51,293	-
LIABILITIES				
Accounts payable	\$ -	51,293	51,293	-

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,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local sources:										
Local tax	\$ 7,218,108	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
Tuition	1,813,953	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
Other	852,020	857,324	707,436	729,757	665,614	705,855	569,000	559,022	663,659	667,672
Intermediate sources	-	-	-	-	-	-	-	5,975	561	1,447
State sources	11,708,404	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
Federal sources	429,718	349,082	288,546	301,918	335,172	370,549	865,861	1,072,551	387,486	210,555
Total	\$ 22,022,203	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
Expenditures:										
Instruction										
Regular	\$ 7,910,637	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
Special	2,627,142	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
Other	1,535,723	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
Support services:										
Student	498,074	543,413	379,487	434,648	364,950	373,737	411,461	398,045	329,819	298,198
Instructional staff	1,261,472	688,787	689,203	549,166	494,517	549,125	485,563	418,460	629,557	606,907
Administration	2,451,094	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
Operation and maintenance of plant	1,798,873	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
Transportation	839,282	733,730	666,886	904,166	662,537	653,952	521,914	500,867	478,775	424,417
Non-instructional programs	8,566	-	-	-	-	-	-	282	2,934	-
Capital outlay	2,643,812	8,016,441	6,280,307	682,785	560,796	160,028	299,087	218,170	347,350	405,032
Long-term debt:										
Principal	1,154,178	1,772,424	1,176,648	9,493,649	1,210,531	985,000	955,000	920,000	810,000	830,000
Interest and fiscal charges	674,887	602,400	541,220	682,929	576,310	589,597	520,885	551,610	581,370	610,188
Other expenditures:										
AEA flow-through	634,483	613,779	590,160	554,467	521,232	499,852	542,779	522,020	484,444	466,146
Total	\$ 24,038,223	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

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, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 12, 2018.

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 have not been 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-17 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-17 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adel-DeSoto-Minburn Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a 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, 2017 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.

January 12, 2018
Newton, Iowa

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-17 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody, and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition - We noted an individual(s) 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.

Cause - The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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-17 Gate Admissions

Criteria - An effective internal control system provides for internal controls related to ensuring proper accounting for revenues. Internal controls over safeguarding gate revenues constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance over the safeguarding of assets from error or misappropriation.

Condition - We noted that the District does not use pre-numbered tickets for all events that require an admission.

Cause - The District has not implemented gate procedures utilizing prenumbered tickets as a control to ensure all gate money is properly documented, reconciled, deposited, and recorded.

Effect - Lack of utilizing prenumbered tickets as a control over the gate collection process could result in District gate workers not detecting errors in the normal course of performing their assigned functions. As a result, this may provide opportunity for misappropriation.

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 has implemented changes. The District does use cash/change boxes that are established with a specified amount and at the end of the event, the cash is counted by two individuals. The cash/change box is turned into the AD and locked in

his vault until the next day. The amount of money collected is verified the next day by the administrative assistant. The District is using pre-numbered tickets for indoor events and varsity football gates. For lower attendance gates, a punch counter is used to identify how many spectators have paid.

Conclusion - Response Accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-17 Certified Budget - Expenditures for the year ended June 30, 2017 exceeded the amended certified budget amounts in the support services function.

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

Response – The District will amend future budgets in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response Accepted.

II-B-17 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-17 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-17 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-17 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-17 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-17 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-17 Supplementary Weighting - We noted during our audit the supplementary weighting data certified to the Iowa Department of Education was overstated by 0.409.

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-17 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-17 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-17 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-17 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, 2017, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	5,346,124
Revenues:			
Sales tax revenues	\$	1,500,776	
Other local revenues		18,257	
Transfers from other funds		24,160	1,543,193
Total revenues			<u>6,889,317</u>
Expenditures/transfers out:			
School infrastructure construction	\$	1,294,826	
Equipment		14,068	
Other		1,015,281	
Transfers to other funds:			
Debt Service Fund		188,843	2,513,018
Ending balance		\$	<u><u>4,376,299</u></u>

For the year ended June 30, 2017, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.