

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2018

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Adel-DeSoto-Minburn Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2017 Election)		
Tim Canney	President	2019
Kelli Book	Vice President	2017
Kim Roby	Board Member	2019
Bart Banwart	Board Member	2019
Rod Collins	Board Member	2017
(After September 2017 Election)		
Tim Canney	President	2019
Kelli Book	Vice President	2021
Bart Banwart	Board Member	2019
Kim Roby	Board Member	2019
Rod Collins	Board Member	2021
School Officials		
Greg Dufoe	Superintendent	2018
Nancy Gee	District Secretary/Treasurer	2018
Ahlers & Cooney	Attorney	2018

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Adel-DeSoto-Minburn Community School District, Adel, Iowa, as of and for the year ended June 30, 2018, 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, 2018, 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

Emphasis of a Matter

As discussed in Note 14 to the financial statements, Adel-DeSoto-Minburn Community School District adopted new accounting guidance related to Governmental Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and Schedule of Funding Progress for the Retiree Health Plan on pages 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 three 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 six 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 28, 2019 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.

Handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

January 28, 2019
Newton, Iowa

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

2018 FINANCIAL HIGHLIGHTS

- The District implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities and business type activities were restated by \$303,009 and \$8,864 respectively, to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- General Fund revenues increased from \$17,466,939 in fiscal year 2017 to \$18,520,616 in fiscal year 2018, while General Fund expenditures increased from \$17,993,149 in fiscal year 2017 to \$19,223,091 in fiscal year 2018. The District's General Fund balance decreased from \$3,199,918 at June 30, 2017 to \$2,497,443 at June 30, 2018, a decrease of \$702,475 (21.95%) from the prior year.
- The increase in General Fund revenues was attributable to increases in local tax and state sources received in fiscal year 2018. The increase in expenditures was due to an increase in regular and special instruction.
- The District's total net position increased from \$12,307,741 restated at July 1, 2017 to \$12,547,899 at June 30, 2018. Total revenues increased from \$23,048,365 in fiscal year 2017 to \$24,470,284 in fiscal year 2018, a 6.17% increase, while total expenses increased from \$22,696,956 in fiscal year 2017 to \$24,230,126 in fiscal year 2018, a 6.75% increase compared to the prior year.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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 Changes in the District's Total OPEB Liability, Related Ratios and Notes.

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.

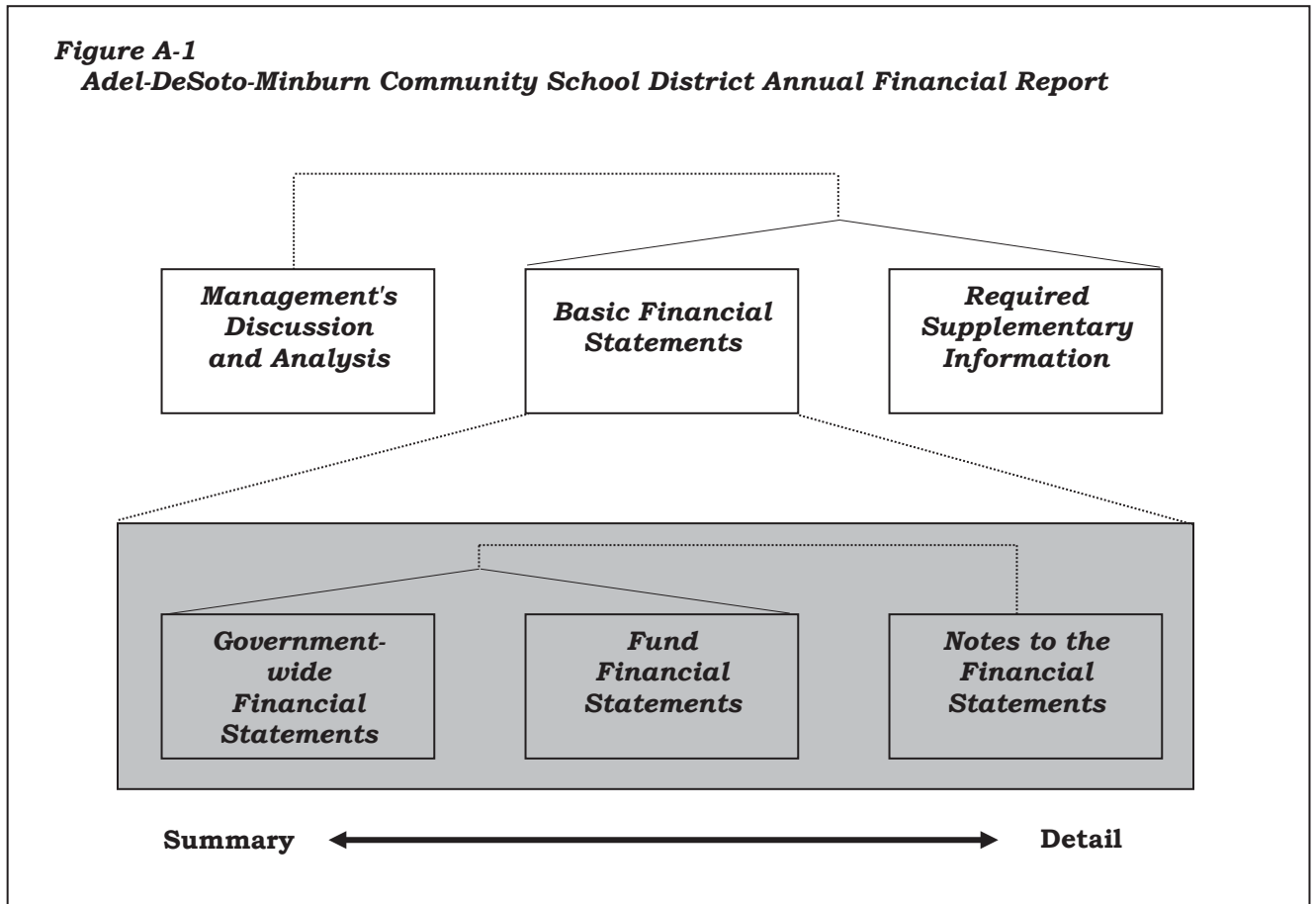


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 2018 compared to June 30, 2017.

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,	
	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)	
Current and other assets	\$ 21,590,664	21,064,332	727,784	661,550	22,318,448	21,725,882	2.73%
Capital assets	31,063,695	30,890,952	69,576	44,920	31,133,271	30,935,872	0.64%
Total assets	52,654,359	51,955,284	797,360	706,470	53,451,719	52,661,754	1.50%
Deferred outflows of resources	3,460,067	2,827,903	94,012	58,235	3,554,079	2,886,138	23.14%
Long-term liabilities	32,438,919	31,961,094	297,463	250,935	32,736,382	32,212,029	1.63%
Other liabilities	3,092,634	2,930,664	39,391	34,497	3,132,025	2,965,161	5.63%
Total liabilities	35,531,553	34,891,758	336,854	285,432	35,868,407	35,177,190	1.96%
Deferred inflows of resources	8,583,734	7,747,989	5,758	3,099	8,589,492	7,751,088	10.82%
Net position:							
Net investment in capital assets	9,558,695	8,797,168	69,576	44,920	9,628,271	8,842,088	8.89%
Restricted	7,983,255	7,155,995	-	-	7,983,255	7,155,995	11.56%
Unrestricted	(5,542,811)	(3,809,723)	479,184	431,254	(5,063,627)	(3,378,469)	-49.88%
Total net position	\$ 11,999,139	12,143,440	548,760	476,174	12,547,899	12,619,614	-0.57%

Prior to restatement, the District's total net position decreased by 0.57%, or \$71,715, from the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$827,260 or -11.56%, from the prior year. The increase is primarily due to the increase 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 \$1,685,158 or -49.88%. This reduction in unrestricted net position was primarily a result of the increase in in the District's total OPEB liability.

Figure A-4 shows the changes in net position for the year ended June 30, 2018 compared to the year ended June 30, 2017.

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2017-2018
Revenues:							
Program revenues:							
Charges for service	\$ 2,300,694	2,294,149	687,931	695,993	2,988,625	2,990,142	-0.05%
Operating grants, contributions and restricted interest	1,315,850	1,195,755	315,862	321,205	1,631,712	1,516,960	7.56%
Capital grants, contributions and restricted interest	15,649	14,384	-	-	15,649	14,384	8.79%
General revenues:							
Property tax	7,721,772	7,218,108	-	-	7,721,772	7,218,108	6.98%
Statewide sales, services and use tax	1,539,782	1,500,776	-	-	1,539,782	1,500,776	2.60%
Unrestricted state grants	10,149,300	9,542,216	-	-	10,149,300	9,542,216	6.36%
Unrestricted investment earnings	48,459	52,976	3,255	2,462	51,714	55,438	-6.72%
Other	365,975	203,839	5,755	6,502	371,730	210,341	76.73%
Total revenues	23,457,481	22,022,203	1,012,803	1,026,162	24,470,284	23,048,365	6.17%
Program expenses:							
Instruction	13,493,195	12,209,866	-	-	13,493,195	12,209,866	10.51%
Support services	7,257,347	7,031,648	-	30,301	7,257,347	7,061,949	2.77%
Non-instructional programs	4,500	8,566	901,496	870,093	905,996	878,659	3.11%
Other expenses	2,573,588	2,546,482	-	-	2,573,588	2,546,482	1.06%
Total expenses	23,328,630	21,796,562	901,496	900,394	24,230,126	22,696,956	6.75%
Excess(Deficiency) of Revenues over (under) expenses	128,851	225,641	111,307	125,768	240,158	351,409	-31.66%
Transfers	29,857	-	(29,857)	-	-	-	-
Change in net position	158,708	225,641	81,450	125,768	240,158	351,409	-31.66%
Net position beginning of year, as restated	11,840,431	11,917,799	467,310	350,406	12,307,741	12,268,205	0.32%
Net position end of year	\$ 11,999,139	12,143,440	548,760	476,174	12,547,899	12,619,614	-0.57%

In fiscal year 2018, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 82.75% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.11% of the revenue from business type activities.

The District's total revenues were approximately \$24.47 million of which approximately \$23.46 million was for governmental activities and approximately \$1.01 million was for business type activities. As shown in Figure A-4, the District as a whole experienced a 6.17% increase in revenues and a 6.75% increase in expenses. The increase in expenses was primarily due to an increase in non-instructional program expenses incurred compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$23,457,481 and expenses were \$23,328,630 for the year ended June 30, 2018.

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, 2018 compared to these expenses for the year ended June 30, 2017.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Service	
	2017		2017-2018	2017	
	2018	(Not Restated)		2018	(Not Restated)
Instruction	\$ 13,493,195	12,209,866	10.51%	10,617,684	9,401,008
Support services	7,257,347	7,031,648	3.21%	7,192,699	6,970,701
Non-instructional programs	4,500	8,566	100.00%	4,500	8,566
Other expenses	2,573,588	2,546,482	1.06%	1,881,554	1,911,999
Totals	\$ 23,328,630	21,796,562	7.03%	19,696,437	18,292,274

For the year ended June 30, 2018:

- The cost financed by users of the District's programs was \$2,300,694.
- Federal, state governments and local sources subsidized certain programs with grants and contributions totaling \$1,331,499.
- The net cost of governmental activities was financed with \$7,721,772 in property tax, \$1,539,782 in statewide sales, services and use tax, \$10,149,300 in unrestricted state grants, \$48,459 in interest income, and \$365,975 in other general revenues.

Business Type Activities

Revenues of the District's business type activity were \$1,012,803 and expenses were \$901,496 for the year ended June 30, 2018. 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 \$10,287,842, below last year's ending combined fund balances of \$10,669,950. The primary reason for the decrease in fund balance is due to the decrease in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The fund balance decreased from \$3,199,918 at June 30, 2017 to \$2,497,443 at June 30, 2018. 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 \$2,025,047 at June 30, 2017 to \$2,144,315 at June 30, 2018. The increase is primarily due to the increase in other local sources received during fiscal year 2018.
 - The Capital Project Fund balance increased from \$5,094,185 at June 30, 2017 to \$5,332,427 at June 30, 2018. The increase is primarily due to a decrease in capital outlay.
 - The Debt Service Fund balance decreased from \$94,796 at June 30, 2017 to \$40,461 at June 30, 2018. The decrease was due to increased payment requirements during the year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$276,441 at June 30, 2017 to \$323,503 at June 30, 2018. This represents an increase of 17.02%.

The Childcare Fund net position increased from \$190,869 at June 30, 2017 to \$225,257 at June 30, 2018. This represents an increase of 18.02%.

BUDGETARY HIGHLIGHTS

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

The District's revenues were \$129,225 less than budgeted revenues, a variance of 0.53%. The most significant variance resulted from the District receiving less in State 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had invested \$31,133,271 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 0.64% 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 \$1,466,965.

The original cost of the District's capital assets was \$46,158,779. Governmental activities account for \$45,826,763 with the remainder of \$332,016 accounted for in the District's business type activities.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,778,236 at June 30, 2017 as compared to \$3,521,796 at June 30, 2018. This increase is primarily due to Athletic Facility construction during fiscal year 2018.

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,	
	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)	
Land	\$ 669,715	669,715	-	-	669,715	669,715	0.00%
Construction in progress	3,521,796	2,778,236	-	-	3,521,796	2,778,236	26.76%
Buildings	24,721,901	25,260,755	-	-	24,721,901	25,260,755	-2.13%
Land improvements	1,534,574	1,627,894	-	-	1,534,574	1,627,894	-5.73%
Machinery and equipment	615,709	554,352	69,576	44,920	685,285	599,272	14.35%
Total	\$ 31,063,695	30,890,952	69,576	44,920	31,133,271	30,935,872	0.64%

Long-Term Debt

At June 30, 2018, the District had \$21,505,000 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 \$18,110,000 at June 30, 2018.
- The District had outstanding revenue bonds payable of \$2,825,000 at June 30, 2018.
- The District had outstanding Capital loan notes of \$570,000 at June 30, 2018.

Figure A-7
Outstanding Long-Term Obligations

	Total	
	District	
	June 30,	
	2018	2017
General obligation bonds	\$ 18,110,000	19,540,000
Revenue bonds	2,825,000	3,060,000
Capital loan notes	570,000	-
Total	\$ 21,505,000	22,600,000

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District completed a Facility Master Plan to determine space needs due to continued enrollment growth. This plan was presented to the Board in January, 2019. The Board will be asking voters to pass a bond to build a new elementary building which could impact tax rates.
- The City of Adel has an aggressive tax abatement program which has impacted enrollment growth. Due to the desirability of ADM Schools along with the close proximity to the metro area, enrollment is expected to increase even with the tax abatement program ending in 2020. Enrollment growth generates more funding but the funding is not received until a year later. Due to this lag year in funding, it is difficult to cover all of the added expenses for additional staff and keep the class sizes at a reasonable level.

-
- The District's special education deficit continues to grow. The deficit for 2018 was \$858,474, an increase of \$114,069 from the prior year. The deficit is contributing to the decreasing fund balance and the need for the additional cash reserve levy.
 - The District was restricted from levying additional cash for several years and was forced to spend down the fund balance. The District did levy for additional cash for 2019 and will continue to levy cash for the next several years for unfunded spending authority.

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, 2018

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 12,773,993	717,152	13,491,145
Receivables:			
Property tax:			
Delinquent	21,718	-	21,718
Succeeding year	8,360,317	-	8,360,317
Accounts	34,332	1,360	35,692
Due from other governments	400,304	-	400,304
Inventories	-	9,272	9,272
Capital assets not being depreciated:			
Land and construction in progress	4,191,511	-	4,191,511
Capital assets, net of accumulated depreciation:			
Buildings and land improvements and machinery and equipment	26,872,184	69,576	26,941,760
TOTAL ASSETS	52,654,359	797,360	53,451,719
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	3,460,067	94,012	3,554,079
Total deferred outflows of resources			
LIABILITIES			
Accounts payable	1,285,710	499	1,286,209
Salaries and benefits payable	1,642,969	9,906	1,652,875
Accrued interest payable	91,579	-	91,579
Unearned revenue	-	28,986	28,986
Unamortized bond premium	72,376	-	72,376
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	960,000	-	960,000
Revenue bonds payable	235,000	-	235,000
Capital loan note payable	135,000	-	135,000
Termination benefits payable	97,751	-	97,751
Portion due after one year:			
General obligation bonds payable	17,150,000	-	17,150,000
Revenue bonds payable	2,590,000	-	2,590,000
Capital loan note payable	435,000	-	435,000
Net pension liability	9,988,174	272,946	10,261,120
Total OPEB liability	847,994	24,517	872,511
TOTAL LIABILITIES	35,531,553	336,854	35,868,407
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	8,360,317	-	8,360,317
Pension related deferred inflows	190,863	5,216	196,079
OPEB related deferred inflows	18,728	542	19,270
Other	13,826	-	13,826
TOTAL DEFERRED INFLOWS OF RESOURCES	8,583,734	5,758	8,589,492
NET POSITION			
Net investment in capital assets	9,558,695	69,576	9,628,271
Restricted for:			
Categorical funding	331,068	-	331,068
School infrastructure	4,868,076	-	4,868,076
Physical plant and equipment levy	464,351	-	464,351
Management levy purposes	2,046,564	-	2,046,564
Student activities	273,196	-	273,196
Unrestricted	(5,542,811)	479,184	(5,063,627)
TOTAL NET POSITION	\$ 11,999,139	548,760	12,547,899

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 8,756,416	1,585,038	102,431	-	(7,068,947)	-	(7,068,947)
Special	2,812,123	304,221	313,296	-	(2,194,606)	-	(2,194,606)
Other	1,924,656	406,058	164,467	-	(1,354,131)	-	(1,354,131)
	<u>13,493,195</u>	<u>2,295,317</u>	<u>580,194</u>	<u>-</u>	<u>(10,617,684)</u>	<u>-</u>	<u>(10,617,684)</u>
Support services:							
Student	503,034	-	8	-	(503,026)	-	(503,026)
Instructional staff	1,383,583	-	-	-	(1,383,583)	-	(1,383,583)
Administration	2,571,452	-	-	-	(2,571,452)	-	(2,571,452)
Operation and maintenance of plant	1,862,441	-	-	15,649	(1,846,792)	-	(1,846,792)
Transportation	936,837	5,377	43,614	-	(887,846)	-	(887,846)
	<u>7,257,347</u>	<u>5,377</u>	<u>43,622</u>	<u>15,649</u>	<u>(7,192,699)</u>	<u>-</u>	<u>(7,192,699)</u>
Non-instructional programs:							
Food service operations	4,500	-	-	-	(4,500)	-	(4,500)
Long-term debt interest	639,499	-	-	-	(639,499)	-	(639,499)
Other expenses:							
AEA flowthrough	692,034	-	692,034	-	-	-	-
Depreciation (unallocated)*	1,242,055	-	-	-	(1,242,055)	-	(1,242,055)
	<u>1,934,089</u>	<u>-</u>	<u>692,034</u>	<u>-</u>	<u>(1,242,055)</u>	<u>-</u>	<u>(1,242,055)</u>
Total governmental activities	<u>23,328,630</u>	<u>2,300,694</u>	<u>1,315,850</u>	<u>15,649</u>	<u>(19,696,437)</u>	<u>-</u>	<u>(19,696,437)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	848,986	602,076	315,862	-	-	68,952	68,952
Community service operations	52,510	85,855	-	-	-	33,345	33,345
Total business type activities	<u>901,496</u>	<u>687,931</u>	<u>315,862</u>	<u>-</u>	<u>-</u>	<u>102,297</u>	<u>102,297</u>
Total	<u>\$ 24,230,126</u>	<u>2,988,625</u>	<u>1,631,712</u>	<u>15,649</u>	<u>(19,696,437)</u>	<u>102,297</u>	<u>(19,594,140)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 5,333,020	-		5,333,020
Debt service				1,797,915	-		1,797,915
Capital outlay				590,837	-		590,837
Statewide sales, services and use tax				1,539,782	-		1,539,782
Unrestricted state grants				10,149,300	-		10,149,300
Unrestricted investment earnings				48,459	3,255		51,714
Other				365,975	5,755		371,730
Transfers				29,857	(29,857)		-
Total general revenues				<u>19,855,145</u>	<u>(20,847)</u>		<u>19,834,298</u>
Change in net position				158,708	81,450		240,158
Net position beginning of year, as restated				<u>11,840,431</u>	<u>467,310</u>		<u>12,268,205</u>
Net position end of year				<u>\$ 11,999,139</u>	<u>548,760</u>		<u>12,508,363</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Management	Capital Projects	Debt Service	Nonmajor - Student Activity	Total
ASSETS						
Cash and pooled investments	\$ 4,499,079	2,151,946	5,816,603	36,335	270,030	12,773,993
Receivables:						
Property tax:						
Delinquent	14,147	885	1,654	5,032	-	21,718
Succeeding year	5,817,390	14,459	625,091	1,903,377	-	8,360,317
Accounts	8,649	-	-	-	25,683	34,332
Due from other governments	269,143	17	130,634	94	416	400,304
TOTAL ASSETS	\$ 10,608,408	2,167,307	6,573,982	1,944,838	296,129	21,590,664
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 638,086	8,533	616,464	1,000	21,627	1,285,710
Salaries and benefits payable	1,642,923	-	-	-	46	1,642,969
Total liabilities	2,281,009	8,533	616,464	1,000	21,673	2,928,679
Deferred inflows of resources:						
Unavailable resources:						
Succeeding year property tax	5,817,390	14,459	625,091	1,903,377	-	8,360,317
Other	12,566	-	-	-	1,260	13,826
Total deferred inflows of resources	5,829,956	14,459	625,091	1,903,377	1,260	8,374,143
Fund balances:						
Restricted for:						
Categorical funding	331,068	-	-	-	-	331,068
Debt service	-	-	-	40,461	-	40,461
School infrastructure	-	-	4,868,076	-	-	4,868,076
Physical plant and equipment levy	-	-	464,351	-	-	464,351
Management levy purposes	-	2,144,315	-	-	-	2,144,315
Student activities	-	-	-	-	273,196	273,196
Assigned	112,799	-	-	-	-	112,799
Unassigned	2,053,576	-	-	-	-	2,053,576
Total fund balances	2,497,443	2,144,315	5,332,427	40,461	273,196	10,287,842
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,608,408	2,167,307	6,573,982	1,944,838	296,129	21,590,664

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, 2018

Total fund balances of governmental funds (page 20)	\$	10,287,842
 <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.		31,063,695
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.		(91,579)
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	\$ 3,460,067	
Deferred inflows of resources	<u>(209,591)</u>	3,250,476
Long-term liabilities, including bonds and notes payable, unamortized bond premium, termination benefits payable, total OPEB liability and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(32,511,295)</u>
Net position of governmental activities (page 18)	\$	<u><u>11,999,139</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, 2018

	General	Management	Capital Projects	Debt Service	Nonmajor - Student Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 5,017,855	315,165	590,837	1,797,915	-	7,721,772
Tuition	1,761,476	-	-	-	-	1,761,476
Other	375,732	64,288	241,908	2,281	369,656	1,053,865
State sources	10,811,384	5,444	1,549,539	29,689	-	12,396,056
Federal sources	524,312	-	-	-	-	524,312
Total revenues	18,490,759	384,897	2,382,284	1,829,885	369,656	23,457,481
EXPENDITURES:						
Current:						
Instruction:						
Regular	8,063,224	70,929	546,902	-	-	8,681,055
Special	2,803,497	1,688	-	-	-	2,805,185
Other	1,234,898	-	-	-	349,562	1,584,460
	12,101,619	72,617	546,902	-	349,562	13,070,700
Support services:						
Student service	526,723	-	-	-	-	526,723
Instructional staff	1,163,983	-	900	-	1,349	1,166,232
Administration	2,231,210	-	253,419	-	-	2,484,629
Operation and maintenance of plant	1,773,001	156,153	39,876	-	8,568	1,977,598
Transportation	727,506	32,359	251,633	-	-	1,011,498
	6,422,423	188,512	545,828	-	9,917	7,166,680
Non-instructional programs:						
Food service operations	-	4,500	-	-	-	4,500
Capital outlay	-	-	1,202,948	-	-	1,202,948
Long-term debt:						
Principal	-	-	-	1,665,000	-	1,665,000
Interest and fiscal charges	-	-	-	642,101	-	642,101
	-	-	-	2,307,101	-	2,307,101
Other expenditures:						
AEA flowthrough	692,034	-	-	-	-	692,034
TOTAL EXPENDITURES	19,216,076	265,629	2,295,678	2,307,101	359,479	24,443,963
Excess(Deficiency) of revenues over(under) expenditures	(725,317)	119,268	86,606	(477,216)	10,177	(986,482)
Other financing sources(uses):						
Proceeds from sale of equipment	-	-	4,517	-	-	4,517
Issuance of capital loans	-	-	570,000	-	-	570,000
Transfer in	29,857	-	-	422,881	7,015	459,753
Transfer out	(7,015)	-	(422,881)	-	-	(429,896)
Total other financing sources(uses)	22,842	-	151,636	422,881	7,015	604,374
Change in fund balances	(702,475)	119,268	238,242	(54,335)	17,192	(382,108)
Fund balances beginning of year	3,199,918	2,025,047	5,094,185	94,796	256,004	10,669,950
Fund balances end of year	\$ 2,497,443	2,144,315	5,332,427	40,461	273,196	10,287,842

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, 2018

Change in fund balances - total governmental funds (page 22) \$ (382,108)

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	\$ 1,630,761	
Depreciation expense	<u>(1,458,018)</u>	172,743

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

Issued	(570,000)	
Repaid	<u>1,665,000</u>	1,095,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,602

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. 1,027,951

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

Termination benefits	(97,751)	
Pension expense	(1,593,948)	
Unamortized bond premium/discount	12,062	
Total OPEB liability	<u>(77,843)</u>	<u>(1,757,480)</u>

Change in net position of governmental activities (page 19) \$ 158,708

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Enterprise Funds		
	School Nutrition	Childcare	Total
ASSETS:			
Current assets:			
Cash and pooled investments	\$ 472,668	244,484	717,152
Receivables:			
Accounts receivable	1,360	-	1,360
Inventories	9,272	-	9,272
Total current assets	483,300	244,484	727,784
Noncurrent assets:			
Capital assets, net of accumulated depreciation	67,825	1,751	69,576
TOTAL ASSETS	551,125	246,235	797,360
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	84,876	9,136	94,012
LIABILITIES			
Current liabilities:			
Accounts payable	77	422	499
Salaries and benefits payable	8,979	927	9,906
Unearned revenue	28,926	60	28,986
Total current liabilities	37,982	1,409	39,391
Noncurrent liabilities:			
Total OPEB liability	23,034	1,483	24,517
Net pension liability	246,267	26,679	272,946
Total noncurrent liabilities	269,301	28,162	297,463
Total liabilities	307,283	29,571	336,854
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	4,706	510	5,216
OPEB related deferred inflows	509	33	542
	5,215	543	5,758
NET POSITION			
Net investment in capital assets	67,825	1,751	69,576
Unrestricted	255,678	223,506	479,184
TOTAL NET POSITION	\$ 323,503	225,257	548,760

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, 2018

	Enterprise Funds		
	School Nutrition	Childcare	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 602,076	85,855	687,931
Miscellaneous	5,755	-	5,755
TOTAL OPERATING REVENUES	607,831	85,855	693,686
OPERATING EXPENSES:			
Non-instructional programs:			
Food service operations:			
Salaries	284,491	-	284,491
Benefits	80,172	-	80,172
Services	200	-	200
Supplies	475,863	-	475,863
Depreciation	8,260	-	8,260
	848,986	-	848,986
Community service operations:			
Salaries	-	31,481	31,481
Benefits	-	14,614	14,614
Services	-	2,221	2,221
Supplies	-	3,382	3,382
Depreciation	-	687	687
Other	-	125	125
Total non-instructional programs	848,986	52,510	901,496
TOTAL OPERATING EXPENSES	848,986	52,510	901,496
OPERATING INCOME(LOSS)	(241,155)	33,345	(207,810)
NON-OPERATING REVENUES:			
State sources	6,389	-	6,389
Federal sources	309,473	-	309,473
Interest income	2,212	1,043	3,255
TOTAL NON-OPERATING REVENUES	318,074	1,043	319,117
Change in net position before other financing uses	76,919	34,388	111,307
Other financing uses:			
Transfer out	(29,857)	-	(29,857)
Change in net position	47,062	34,388	81,450
Net position beginning of year, as restated	276,441	190,869	467,310
Net position end of year	\$ 323,503	225,257	548,760

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Enterprise Funds		
	School Nutrition	Childcare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 605,764	-	605,764
Cash received from childcare services	-	85,915	85,915
Cash received from miscellaneous	5,755	-	5,755
Cash payments to employees for services	(367,004)	(38,728)	(405,732)
Cash payments to suppliers for goods or services	(416,566)	(5,751)	(422,317)
Net cash provided by(used in) operating activities	(172,051)	41,436	(130,615)
Cash flows from non-capital financing activities:			
Transfer to General Fund	(29,857)	-	(29,857)
State grants received	6,389	-	6,389
Federal grants received	245,346	-	245,346
Net cash provided by non-capital financing activities	221,878	-	221,878
Cash flows from capital and related financing activities:			
Purchase of capital assets	(33,005)	(598)	(33,603)
Cash flows from investing activities:			
Interest on investments	2,212	1,043	3,255
Net increase in cash and pooled investments	19,034	41,881	60,915
Cash and pooled investments beginning of year	453,634	202,603	656,237
Cash and pooled investments end of year	\$ 472,668	244,484	717,152
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (241,155)	33,345	(207,810)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	64,127	-	64,127
Depreciation	8,260	687	8,947
Increase in inventories	(4,510)	-	(4,510)
Increase in accounts receivable	(809)	-	(809)
Decrease in accounts payable	(120)	(23)	(143)
Increase in salaries and benefits payable	448	32	480
Increase in unearned revenue	4,497	60	4,557
Increase in net pension liability	25,377	10,579	35,956
Increase in deferred outflows of resources	(32,137)	(3,640)	(35,777)
Increase in deferred inflows of resources	2,366	293	2,659
Increase in OPEB liability	1,605	103	1,708
Net cash provided by(used in) operating activities	\$ (172,051)	41,436	(130,615)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2018, the District received Federal commodities valued at \$64,127.

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

	<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, 2018

	<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>\$ <u>550</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(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/Net Position

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value 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 reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2017.

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 if purchased or constructed. 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. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ -
Buildings	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 and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments 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.

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

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to 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 collect soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current 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 unrecognized items not yet charged to pensions expense.

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.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2018 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, 2018, the District had no investments.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 303,779
Student Activity	General Fund	7,015
Debt Service	Capital Projects: General Obligation Bonds Fund	119,102
General Fund	School Nutrition Fund	29,857
Total		<u>\$ 459,753</u>

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was for principal and interest.

The transfer from the General Fund to the Student Activity Fund was for safety equipment.

The transfer from the Capital Projects: General Obligation Bonds Fund to the Debt Service Fund was for remaining bond proceeds.

The transfer from the School Nutrition Fund to the General Fund was for move repairs and indirect costs.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2018 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	2,778,236	743,560	-	3,521,796
Total capital assets not being depreciated	<u>3,447,951</u>	<u>743,560</u>	<u>-</u>	<u>4,191,511</u>
Capital assets being depreciated:				
Buildings	35,486,517	568,393	-	36,054,910
Land improvements	2,877,899	41,488	-	2,919,387
Machinery and equipment	2,557,892	277,320	174,257	2,660,955
Total capital assets being depreciated	<u>40,922,308</u>	<u>887,201</u>	<u>174,257</u>	<u>41,635,252</u>
Less accumulated depreciation for:				
Buildings	10,225,762	1,107,247	-	11,333,009
Land improvements	1,250,005	134,808	-	1,384,813
Machinery and equipment	2,003,540	215,963	174,257	2,045,246
Total accumulated depreciation	<u>13,479,307</u>	<u>1,458,018</u>	<u>174,257</u>	<u>14,763,068</u>
Total capital assets being depreciated, net	<u>27,443,001</u>	<u>(570,817)</u>	<u>348,514</u>	<u>26,872,184</u>
Governmental activities capital assets, net	<u>\$ 30,890,952</u>	<u>172,743</u>	<u>348,514</u>	<u>31,063,695</u>
Business type activities:				
Machinery and equipment	\$ 298,413	33,603	-	332,016
Less accumulated depreciation	253,493	8,947	-	262,440
Business type activities capital assets, net	<u>\$ 44,920</u>	<u>24,656</u>	<u>-</u>	<u>69,576</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 5,089
Other	10,984
Support services:	
Instructional staff	16,539
Administration	3,363
Operation and maintenance of plant	18,920
Transportation	161,068
	<u>215,963</u>
Unallocated depreciation	<u>1,242,055</u>
Total governmental activities depreciation expense	<u>\$ 1,458,018</u>
Business type activities:	
Food service operations	8,260
Childcare operations	687
Total	<u>\$ 8,947</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 19,540,000	-	1,430,000	18,110,000	960,000
Revenue bonds	3,060,000	-	235,000	2,825,000	235,000
Capital loan notes	-	570,000	-	570,000	135,000
Termination benefits	-	97,151	-	97,151	97,151
Net pension liability	8,875,224	1,112,950	-	9,988,174	-
Net OPEB liability	788,879	59,115	-	847,994	-
Total	\$ 32,264,103	1,839,216	1,665,000	32,438,319	1,427,151
Business type activities:					
Net OPEB liability	22,809	1,708	-	24,517	-
Net pension liability	236,990	35,956	-	272,946	-
Total	\$ 259,799	37,664	-	297,463	-

General Obligation Bonds Payable

Details of the District's June 30, 2018 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2012			Bond Issue of May 1, 2014		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2019	1.40 %	\$ 925,000	87,095	3.00 %	\$ -	363,375
2020	1.60	935,000	74,145	3.00	-	363,375
2021	1.80	950,000	59,185	3.00	-	363,375
2022	2.00	960,000	42,085	3.00	-	363,375
2023	2.10	985,000	22,884	3.00	-	363,375
2024-2025	2.20	100,000	2,200	3.00	1,620,000	1,803,975
2029-2033		-	-	3.25-4.00	6,615,000	1,101,175
2034		-	-	4.00	1,485,000	59,400
		\$ 4,855,000	287,594		\$ 9,720,000	4,781,425

Year Ending June 30,	Bond Issue of June 25, 2015			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2019	2.00 %	\$ 35,000	82,382	960,000	532,852	1,492,852
2020	2.10	40,000	81,681	975,000	519,201	1,494,201
2021	2.40	40,000	80,881	990,000	503,441	1,493,441
2022	2.60	45,000	80,081	1,005,000	485,541	1,490,541
2023	2.90	40,000	79,068	1,025,000	465,327	1,490,327
2024-2028	3.10-3.50	3,335,000	196,318	5,055,000	2,002,493	7,057,493
2029-2033	3.25-4.00	-	-	6,615,000	1,101,175	7,716,175
2034	4	-	-	1,485,000	59,400	1,544,400
		3,535,000	600,411	18,110,000	5,669,430	23,779,430

Revenue Bonds Payable

Details of the District’s June 30, 2018 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
2019	2.50 %	\$ 117,500	35,313	1.35 %	117,500	30,529	235,000	65,842	300,842
2020	2.50	120,000	32,375	1.55	120,000	29,178	240,000	61,553	301,553
2021	2.50	120,000	29,375	1.70	120,000	27,591	240,000	56,966	296,966
2022	2.50	122,500	26,375	1.80	122,500	25,731	245,000	52,106	297,106
2023	2.50	125,000	23,313	1.90	125,000	23,691	250,000	47,004	297,004
2024-2028	2.50	665,000	68,438	2.10-2.55	665,000	81,328	1,330,000	149,765	1,479,765
2029	2.50	142,500	3,563	2.70	142,500	11,265	285,000	14,828	299,828
		<u>\$ 1,412,500</u>	<u>218,752</u>		<u>1,412,500</u>	<u>229,313</u>	<u>2,825,000</u>	<u>448,064</u>	<u>3,273,064</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,160,000 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 19.54% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,273,065. For the current year, \$235,000 in principal and \$68,779 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,539,782.

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.

Capital Loan Notes

During the year ended June 30, 2018, the District issued Capital Loan Notes to provide funds for the energy savings project. The notes bear interest at 2.65% to 2.90% per annum and are payable from the General Fund. Details of the District’s indebtedness under the agreements in effect at June 30, 2018 are as follows:

Year Ending June 30,	Capital Loan Notes dated April 27, 2018			
	Interest Rates	Principal	Interest	Total
2019	2.65%	\$ 135,000	16,014	151,014
2020	2.73	140,000	12,261	152,261
2021	2.82	145,000	8,439	153,439
2022	2.90	150,000	4,350	154,350
		<u>\$ 570,000</u>	<u>41,064</u>	<u>611,064</u>

Termination Benefits

In January 2018, the District approved a voluntary early retirement plan for employees. The plan was offered to employees for one year. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. The application for early retirement was subject to approval by the Board of Education. Early retirement benefits were a cash incentive of \$20,000 paid out in two equal installments to be paid in June and September 2018.

The District also had obligations to early retirees from previous offerings in the form of District contributions toward premiums for continued coverage in the District's health insurance plan. At June 30, 2018, the District had obligations to four participants totaling \$97,751. Actual early retirement expenditures for the year ended June 30, 2018 were \$0.

(6) Other Postemployment Benefits (OPEB)

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

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

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	10
Active employees	<u>245</u>
Total	<u><u>255</u></u>

Total OPEB Liability - The District's total OPEB liability of \$872,511 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	2.60% per annum.
Rates of salary increase (effective June 30, 2018)	3.25-16.25% variable based upon years of service, including inflation.
Discount rate (effective June 30, 2018)	3.87% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	7.00% initial rate decreasing by 0.25% annually to an ultimate rate of 4.00%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 811,688
Changes for the year:	
Service cost	96,514
Interest	31,696
Changes in assumptions	(21,317)
Benefit payments	<u>(46,070)</u>
Net changes	<u>60,823</u>
Total OPEB liability end of year	<u>\$ 872,511</u>

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

	<u>1% Decrease (2.87%)</u>	<u>Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB liability	\$ 948,169	872,511	802,226

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

	<u>1% Decrease (5.75%)</u>	<u>Healthcare Cost Trend Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Total OPEB liability	\$ 764,532	872,511	1,001,970

OPEB Expense and Deferred Outflows of Resources Related to OPEB - For the year ended June 30, 2018, the District recognized OPEB expense of \$50,040. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following resources:

	<u>Deferred Inflows of Resources</u>
Changes in assumptions	<u>\$ 19,270</u>

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

Year Ended June 30,	Amount
2019	\$ (2,047)
2020	(2,047)
2021	(2,047)
2022	(2,047)
2023	(2,047)
Thereafter	<u>(9,035)</u>
Total	<u>\$ (19,270)</u>

(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 2018, 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, 2018 were \$1,055,500.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the District reported a liability of \$10,261,120 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the District's proportion was 0.1540416 percent, which was an increase of 0.009250 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,623,793. At June 30, 2018, 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	\$ 94,207	\$ 88,905
Changes of assumptions	1,782,910	-
Net difference between projected and actual earnings on IPERS' investments	-	107,174
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	621,462	-
District contributions subsequent to the measurement date	1,055,500	-
Total	<u>\$ 3,554,079</u>	<u>\$ 196,079</u>

\$1,055,500 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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
2019	\$ 461,053
2020	961,765
2021	581,931
2022	148,526
2023	149,225
	<u>\$ 2,302,500</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60 percent per annum
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00 percent, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

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
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00 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 7.00 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 (6.00 percent) or 1% higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 16,906,210	10,261,120	4,677,968

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, 2018, the District reported payables to IPERS of \$120,546 for legally required employer contributions and \$80,319 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 four 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 \$692,034 for the year ended June 30, 2018 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	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	2,144,315	40,461	2,053,576
Capital assets, net of accumulated depreciation	31,063,695	-	-	-
General obligation bond capitalized indebtedness	(18,110,000)	-	-	-
Revenue bond capitalized indebtedness	(2,825,000)	-	-	-
Termination benefits	-	(97,751)	-	-
Assigned for specific purposes	-	-	-	112,799
Accrued interest payable	-	-	(40,461)	(51,118)
Capital loan note indebtedness	(570,000)	-	-	-
Total OPEB liability	-	-	-	(847,994)
Net pension liability	-	-	-	(9,988,174)
Pension related deferred outflows of resources	-	-	-	3,460,067
Pension related deferred inflows of resources	-	-	-	(190,863)
Total OPEB related deferred inflows of resources	-	-	-	(18,728)
Unamortized bond premium	-	-	-	(72,376)
Net position (Exhibit A)	<u>\$ 9,558,695</u>	<u>2,046,564</u>	<u>-</u>	<u>(5,542,811)</u>

(11) Construction Commitment

The District entered into outstanding contracts totaling \$3,608,936 for various projects around the District. As of June 30, 2018, costs of \$3,521,796 had been incurred against the contract. The balance remaining at June 30, 2018 will be paid as work on the projects progress.

(12) Categorical Funding

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

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2018.

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 7,381
Gifted and talented	87,077
Teacher salary supplement	40,299
Market factor	4,396
Successful progression for early readers	59,632
Professional development for model core curriculum	23,296
Limited english proficient	2,067
Teacher leadership state aid	106,920
Total categorical funding	<u>\$ 331,068</u>

(13) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are 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	\$ 2,337
City of De Soto	Urban Renewal and economic development projects	13,736

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, 2018, this reimbursement amounted to \$7,979.

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities and business type activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2017, as previously reported	\$ 12,143,440	476,174
OPEB obligation measured under previous standards	485,870	13,945
Total OPEB liability at June 30, 2017	<u>(788,879)</u>	<u>(22,809)</u>
Net position July 1, 2017, as restated	<u>\$ 11,840,431</u>	<u>467,310</u>

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2018

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 10,537,113	696,941	11,234,054	11,190,416	11,190,416	43,638
State sources	12,396,056	6,389	12,402,445	12,699,093	12,699,093	(296,648)
Federal sources	524,312	309,473	833,785	710,000	710,000	123,785
Total revenues	<u>23,457,481</u>	<u>1,012,803</u>	<u>24,470,284</u>	<u>24,599,509</u>	<u>24,599,509</u>	<u>(129,225)</u>
Expenditures/Expenses:						
Instruction	13,070,700	-	13,070,700	14,090,000	14,090,000	1,019,300
Support services	7,166,680	-	7,166,680	8,049,549	8,350,000	1,183,320
Non-instructional programs	4,500	901,496	905,996	1,139,500	1,250,000	344,004
Other expenditures	4,202,083	-	4,202,083	6,967,156	6,967,156	2,765,073
Total expenditures/expenses	<u>24,443,963</u>	<u>901,496</u>	<u>25,345,459</u>	<u>30,246,205</u>	<u>30,657,156</u>	<u>5,311,697</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(986,482)	111,307	(875,175)	(5,646,696)	(6,057,647)	5,182,472
Other financing sources, net	<u>604,374</u>	<u>(29,857)</u>	<u>574,517</u>	<u>443,000</u>	<u>443,000</u>	<u>131,517</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses and other financing sources	(382,108)	81,450	(300,658)	(5,203,696)	(5,614,647)	5,313,989
Balances beginning of year, as restated	<u>10,669,950</u>	<u>467,310</u>	<u>11,137,260</u>	<u>10,730,821</u>	<u>10,730,821</u>	<u>(406,439)</u>
Balances end of year	<u>\$ 10,287,842</u>	<u>548,760</u>	<u>10,836,602</u>	<u>5,527,125</u>	<u>5,116,174</u>	<u>4,907,550</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2018

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 \$410,951.

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 FOUR FISCAL YEARS*

REQUIRED SUPPLEMENTARY INFORMATION

	2018	2017	2016	2015
District's proportion of the net pension liability	0.154042%	0.144792%	0.146119%	0.142672%
District's proportionate share of the net pension liability	\$10,261,120	9,112,214	7,218,985	5,658,244
District's covered payroll	\$11,498,463	10,389,821	10,010,473	9,336,290
District's proportionate share of the net pension liability as a percentage of its covered payroll	89.2%	87.70%	72.11%	60.60%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$1,055,500	1,026,813	927,812	893,935	833,731	754,230	677,997	572,829	555,792	534,820
Contributions in relation to the statutorily required contribution	(1,055,500)	(1,026,813)	(927,812)	(893,935)	(833,731)	(754,230)	(677,997)	(572,829)	(555,792)	(534,820)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	\$11,819,711	11,498,463	10,389,821	10,010,473	9,336,290	8,699,308	8,401,450	8,242,144	8,357,774	8,422,362
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
YEAR ENDED JUNE 30, 2018

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.

Changes of assumptions:

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

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

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

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

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
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
FOR THE CURRENT YEAR
REQUIRED SUPPLEMENTARY INFORMATION

	2018
Service cost	\$ 96,514
Interest cost	31,696
Differences between expected and actual experiences	-
Changes in assumptions	(21,317)
Benefit payments	(46,070)
Net change in total OPEB liability	60,823
Total OPEB liability beginning of year, as restated	811,688
Total OPEB liability end of year	\$ 872,511
Covered-employee payroll	\$ 10,516,016
Total OPEB liability as a percentage of covered-employee payroll	8.30%

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 2018	3.58%
Year ended June 30, 2017	3.87%

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2018

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 4,790,122	1,026,481	5,816,603
Receivables:			
Property tax:			
Delinquent	-	1,654	1,654
Succeeding year	-	625,091	625,091
Due from other governments	130,603	31	130,634
TOTAL ASSETS	\$ 4,920,725	1,653,257	6,573,982
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 52,649	563,815	616,464
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	625,091	625,091
Fund balances:			
Restricted for:			
School infrastructure	4,868,076	-	4,868,076
Physical plant and equipment levy	-	464,351	464,351
Total fund balances	4,868,076	464,351	5,332,427
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,920,725	1,653,257	6,573,982

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, 2018

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Construction	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	590,837	590,837
Other	35,546	832	205,530	241,908
State sources	1,539,782	-	9,757	1,549,539
TOTAL REVENUES	1,575,328	832	806,124	2,382,284
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	-	546,902	546,902
Support services:				
Instructional staff	-	-	900	900
Administration	-	-	253,419	253,419
Operation and maintenance of plant services	-	-	39,876	39,876
Transportation	-	-	251,633	251,633
Other expenditures:				
Capital outlay	779,772	387,946	35,230	1,202,948
TOTAL EXPENDITURES	779,772	387,946	1,127,960	2,295,678
Excess(Deficiency) of revenues over(under) expenditures	795,556	(387,114)	(321,836)	86,606
OTHER FINANCING SOURCES(USES):				
Transfer out	(303,779)	(119,102)	-	(422,881)
Sale of equipment	-	-	4,517	4,517
Issuance of capital loan notes	-	-	570,000	570,000
TOTAL OTHER FINANCING SOURCES(USES)	(303,779)	(119,102)	574,517	151,636
Change in fund balances	491,777	(506,216)	252,681	238,242
Fund balances beginning of year	4,376,299	506,216	211,670	5,094,185
Fund balances end of year	\$ 4,868,076	-	464,351	5,332,427

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, 2018

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund/ Interfund Transfers	Balance End of Year
Interest	\$ -	1,164	35	(1,129)	-
FCCLA	343	-	240	-	103
Cross country	2,066	10,197	8,681	-	3,582
Golf	-	8,088	12,371	4,283	-
Weight	-	3,173	6,776	3,603	-
Boys basketball	15,206	12,290	6,982	-	20,514
Football	13,001	34,283	28,521	-	18,763
Boys soccer	-	11,126	12,510	1,384	-
Baseball	-	16,672	15,072	-	1,600
Boys track	8,855	3,909	10,362	-	2,402
Wrestling	4,433	20,334	31,706	6,939	-
Girls basketball	2,198	14,282	8,040	-	8,440
Volleyball	10,304	14,229	15,814	-	8,719
Girls soccer	1,943	8,084	6,354	-	3,673
Softball	100	7,835	9,929	1,994	-
Girls track	7,242	8,150	13,699	-	1,693
Athletics	70,467	30,873	31,120	(11,310)	58,910
Ecology club	1	-	-	(1)	-
FFA	6,743	22,737	18,427	-	11,053
Other Clubs	63	-	-	-	63
High school prom	2,580	7,159	5,212	-	4,527
Special events	75,120	76,544	64,719	-	86,945
Drama	2,275	4,296	4,058	-	2,513
Speech contest	3,413	1,207	1,904	-	2,716
French club	135	182	229	-	88
National honor society	-	1,921	1,321	-	600
Danz team	1,987	14,146	14,013	-	2,120
SADD	4,419	-	-	-	4,419
Thespian club	490	862	941	-	411
Student council	4,967	5,282	5,135	-	5,114
TSA	421	3,841	2,027	-	2,235
Yearbook	5,765	9,706	10,458	-	5,013
High school hall of fame	2,600	-	-	-	2,600
Cheerleading	-	13,092	8,562	-	4,530
Academic decathalon	-	1,096	2,348	1,252	-
Middle school Student Council	6,447	2,436	1,335	-	7,548
Middle school yearbook	2,420	460	578	-	2,302
Total	\$ 256,004	369,656	359,479	7,015	273,196

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, 2018

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ -	31,251	31,251	-
LIABILITIES				
Accounts payable	\$ -	31,251	31,251	-

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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Local sources:										
Local tax	\$ 7,721,772	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
Tuition	1,761,476	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
Other	1,053,865	852,020	857,324	707,436	729,757	665,614	705,855	569,000	559,022	663,659
Intermediate sources	-	-	-	-	-	-	-	-	5,975	561
State sources	12,396,056	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
Federal sources	524,312	429,718	349,082	288,546	301,918	335,172	370,549	865,861	1,072,551	387,486
Total	\$ 23,457,481	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
Expenditures:										
Instruction										
Regular	\$ 8,681,055	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
Special	2,805,185	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
Other	1,584,460	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
Support services:										
Student	526,723	498,074	543,413	379,487	434,648	364,950	373,737	411,461	398,045	329,819
Instructional staff	1,166,232	1,261,472	688,787	689,203	549,166	494,517	549,125	485,563	418,460	629,557
Administration	2,484,629	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
Operation and maintenance of plant	1,977,598	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
Transportation	1,011,498	839,282	733,730	666,886	904,166	662,537	653,952	521,914	500,867	478,775
Non-instructional programs	4,500	8,566	-	-	-	-	-	-	282	2,934
Capital outlay	1,202,948	2,643,812	8,016,441	6,280,307	682,785	560,796	160,028	299,087	218,170	347,350
Long-term debt:										
Principal	1,665,000	1,154,178	1,772,424	1,176,648	9,493,649	1,210,531	985,000	955,000	920,000	810,000
Interest and fiscal charges	642,101	674,887	602,400	541,220	682,929	576,310	589,597	520,885	551,610	581,370
Other expenditures:										
AEA flow-through	692,034	634,483	613,779	590,160	554,467	521,232	499,852	542,779	522,020	484,444
Total	\$ 24,443,963	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

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, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 28, 2019.

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 and Questioned Costs, we identified deficiencies of internal control we consider to be material weaknesses 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 deficiencies described in Part I of the accompanying Schedule of Findings and Questioned Costs as item I-A-18 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 and Questioned Costs as item I-B-18 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.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2018 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 28, 2019
Newton, Iowa

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2018

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-18 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 business manager has control over the financial reporting and the computer systems, but the business manager is not performing those duties alone. The District has employed the following procedures to obtain better internal control.

- Accounts Payable: The business manager reviews the invoices and gives them to the accounts payable specialist. The accounts payable specialist inputs the invoices in the computer system. The business manager checks the invoice batches with the supporting documents prior to posting and again after posting. The invoice listing for board approval is created by the accounts payable specialist and checked by the business manager prior to board approval. Checks are locked in a file drawer and all checks used for this process are logged and checked by two people. Printed checks are prepared for mailing by another person in the office.

- Payroll: The payroll specialist puts the contract information in the software system and the business manager checks to make sure they are correct. All timesheets and extra pay entries are made by the payroll specialist. Prior to posting, the business manager checks the data entered with the supporting documents. After posting, the business manager balances the payroll register for IPER's, and federal and state taxes. The direct deposit and TSA transfers require two approvals.
- Cash Receipts: Incoming checks are logged and then given to the business manager's assistant. She also receives money from the other buildings with supporting documents. She writes receipts and enters the data in the computer. Prior to posting the receipts, the business manager checks the receipts with the check log and supporting documents. The payroll specialist checks the receipts with the deposit slip to verify accuracy. Reports are available to administrator and department heads to review receipts recorded. This is an area the District continues to review its control procedures.
- Other: The superintendent's administrative assistant opens incoming mail and logs the checks received. The business manager enters journal entries and the superintendent checks them on a monthly basis. The business manager and the superintendent's administrative assistant work together on the bank reconciliations. A board member also reviews the bank statements with the bank reconciliation each month.

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

Conclusion – Response accepted.

I-B-18 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 will continue to review its control procedures to obtain the maximum internal control

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-18 Certified Budget- No expenditures for the year ended June 30, 2018 exceeded the amended certified budget amounts.
- II-B-18 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-18 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-18 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-18 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-18 Board Minutes - No transactions requiring Board approval which have not been approved by the Board were noted.
- II-G-18 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-18 Supplementary Weighting - No variances during our audit the supplementary weighting data certified to the Iowa Department of Education were noted.
- II-I-18 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-18 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-18 Categorical Funding - No instances of categorical funding used to supplant rather than supplement other funds were noted.
- II-L-18 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, 2018, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	4,376,299
Revenues:			
Sales tax revenues	\$	1,539,782	
Other local revenues		35,546	1,575,328
Total revenues			<u>5,951,627</u>
Expenditures/transfers out:			
School infrastructure construction	\$	611,159	
Equipment		10,749	
Other		157,864	
Transfers to other funds:			
Debt Service Fund		303,779	1,083,551
Ending balance		\$	<u><u>4,868,076</u></u>

For the year ended June 30, 2018, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.