

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2019

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Adel-De Soto-Minburn Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Tim Canney	President	2019
Kelli Book	Vice President (Resigned May 2019)	2021
Pat Steele	Board Member (Appointed May 2019)	2019
Bart Banwart	Board Member	2019
Kim Roby	Board Member	2019
Rod Collins	Board Member	2021
School Officials		
Greg Dufoe	Superintendent	2019
Nancy Gee	District Secretary/Treasurer	2019
Ahlers & Cooney, P.C.	Attorney	2019

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 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, 2019, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 as of June 30, 2019, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adel-DeSoto-Minburn Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2018 (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 five years ended June 30, 2014 (which are not presented herein) and expressed an unmodified opinion on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2019 on our consideration of Adel-DeSoto-Minburn Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Adel-DeSoto-Minburn Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

December 16, 2019
Newton, Iowa



MANAGEMENT'S DISCUSSION AND ANALYSIS

Adel-De Soto-Minburn Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$18,520,616 in fiscal year 2018 to \$20,116,819 in fiscal year 2019, while General Fund expenditures increased from \$19,223,091 in fiscal year 2018 to \$19,320,991 in fiscal year 2019. The District's General Fund balance increased from \$2,497,443 at June 30, 2018 to \$3,293,271 at June 30, 2019, an increase of 31.87%, or \$795,828, from the prior year.
- The increase in General Fund revenues was mainly due to increases in local tax and state source revenues received compared to the prior year. Expenditures for operation and maintenance of plant increased \$146,041 from the prior year leading to the slight increase in expenditures.
- The District's total net position increased from \$12,547,899 at June 30, 2018 to \$14,289,207 at June 30, 2019. Total revenues increased from \$24,470,284 in fiscal year 2018 to \$25,992,243 in fiscal year 2019, a 6.22% increase, while total expenses increased from \$24,230,126 in fiscal year 2018 to \$24,250,935 in fiscal year 2019, a 0.09% increase compared to the prior year. Revenues from unrestricted state grants and property tax each increased approximately \$649,000 leading to the increase in total revenues. Expenses for support services increased \$215,960 contributing to the slight increase in total expenses.

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-De Soto-Minburn Community School District as a whole and present an overall view of the District's finances.

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

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

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

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.

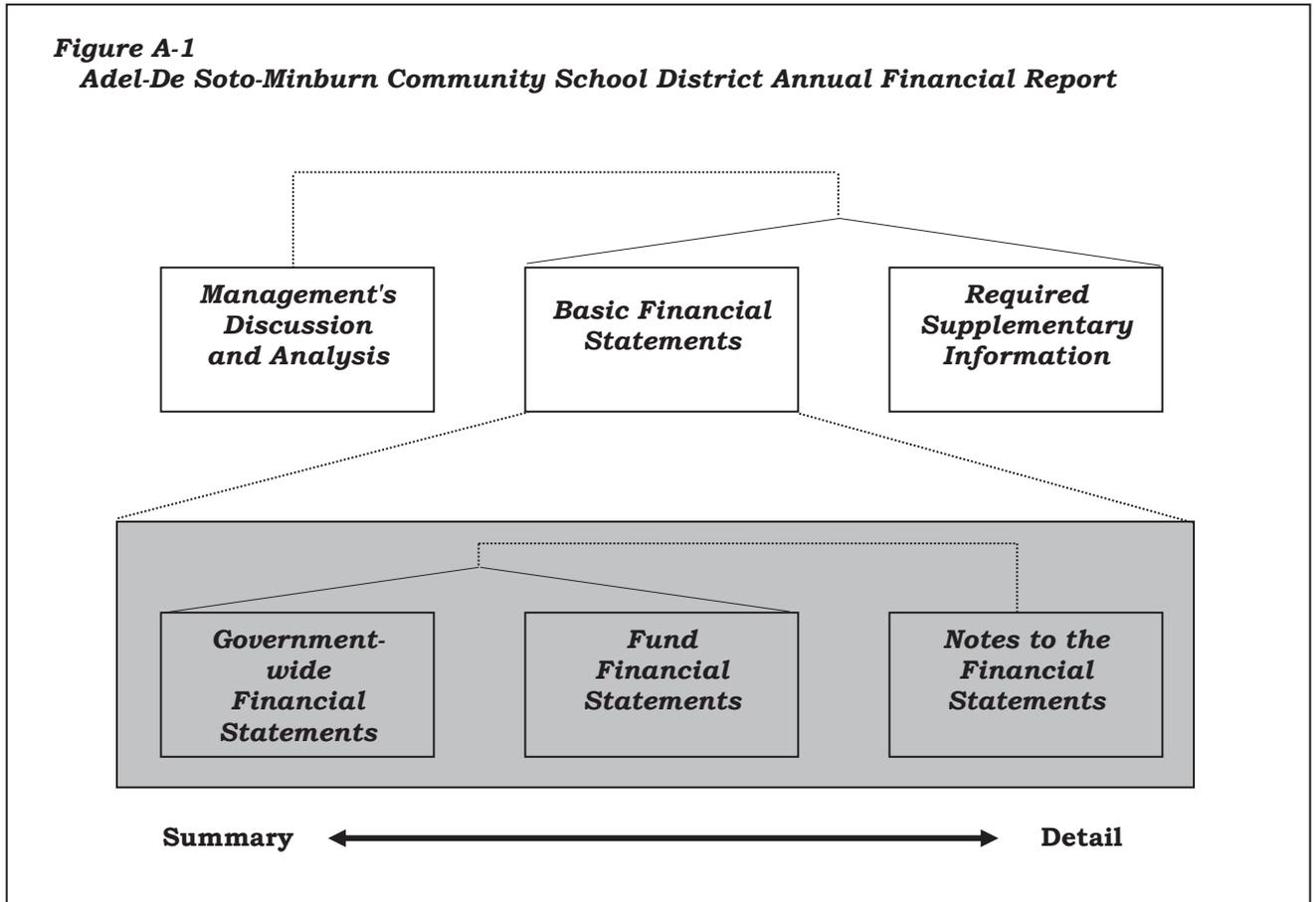


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

In the government-wide financial statements, the District's activities are divided into 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for 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 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 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, 2019 compared to June 30, 2018.

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,
	2019	2018	2019	2018	2019	2018	2018-19
Current and other assets	\$ 23,156,018	21,590,664	826,248	727,784	23,982,266	22,318,448	7.45%
Capital assets	29,989,857	31,063,695	73,849	69,576	30,063,706	31,133,271	-3.44%
Total assets	53,145,875	52,654,359	900,097	797,360	54,045,972	53,451,719	1.11%
Deferred outflows of resources	3,041,104	3,460,067	82,018	94,012	3,123,122	3,554,079	-12.13%
Long-term liabilities	30,415,234	32,438,919	287,447	297,463	30,702,681	32,736,382	-6.21%
Other liabilities	2,730,935	3,092,634	60,282	39,391	2,791,217	3,132,025	-10.88%
Total liabilities	33,146,169	35,531,553	347,729	336,854	33,493,898	35,868,407	-6.62%
Deferred inflows of resources	9,372,498	8,583,734	13,491	5,758	9,385,989	8,589,492	9.27%
Net position:							
Net investment in capital assets	10,224,857	9,558,695	73,849	69,576	10,298,706	9,628,271	6.96%
Restricted	8,693,773	7,983,255	-	-	8,693,773	7,983,255	8.90%
Unrestricted	(5,250,318)	(5,542,811)	547,046	479,184	(4,703,272)	(5,063,627)	7.12%
Total net position	\$ 13,668,312	11,999,139	620,895	548,760	14,289,207	12,547,899	13.88%

The District's total net position increased 13.88%, or \$1,741,308, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$710,518, or 8.90%, from the prior year. The increase in restricted net position is primarily due to the increase in the amount restricted for school infrastructure.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$360,355, or - 7.12%. This improvement in unrestricted net position was primarily a result of the increase in the District's unassigned General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2019 compared to the year ended June 30, 2018.

Figure A-4 Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2019	2018	2019	2018	2019	2018	2018-19
Revenues:							
Program revenues:							
Charges for service	\$ 2,325,999	2,300,694	659,240	687,931	2,985,239	2,988,625	-0.11%
Operating grants, contributions and restricted interest	1,380,085	1,315,850	331,465	315,862	1,711,550	1,631,712	4.89%
Capital grants, contributions and restricted interest	11,150	15,649	-	-	11,150	15,649	-28.75%
General revenues:							
Property tax	8,370,727	7,721,772	-	-	8,370,727	7,721,772	8.40%
Statewide sales, services and use tax	1,769,434	1,539,782	-	-	1,769,434	1,539,782	14.91%
Unrestricted state grants	10,798,290	10,149,300	-	-	10,798,290	10,149,300	6.39%
Unrestricted investment earnings	199,370	48,459	12,257	3,255	211,627	51,714	309.23%
Other	128,711	365,975	5,515	5,755	134,226	371,730	-63.89%
Total revenues	<u>24,983,766</u>	<u>23,457,481</u>	<u>1,008,477</u>	<u>1,012,803</u>	<u>25,992,243</u>	<u>24,470,284</u>	<u>6.22%</u>
Program expenses:							
Instruction	13,139,116	13,493,195	-	-	13,139,116	13,493,195	-2.62%
Support services	7,472,070	7,257,347	1,237	-	7,473,307	7,257,347	2.98%
Non-instructional programs	3,000	4,500	904,862	901,496	907,862	905,996	0.21%
Other expenses	2,730,650	2,573,588	-	-	2,730,650	2,573,588	6.10%
Total expenses	<u>23,344,836</u>	<u>23,328,630</u>	<u>906,099</u>	<u>901,496</u>	<u>24,250,935</u>	<u>24,230,126</u>	<u>0.09%</u>
Excess of revenues over expenses	1,638,930	128,851	102,378	111,307	1,741,308	240,158	625.07%
Transfers	30,243	29,857	(30,243)	(29,857)	-	-	0.00%
Change in net position	1,669,173	158,708	72,135	81,450	1,741,308	240,158	625.07%
Net position beginning of year	<u>11,999,139</u>	<u>11,840,431</u>	<u>548,760</u>	<u>467,310</u>	<u>12,547,899</u>	<u>12,307,741</u>	<u>1.95%</u>
Net position end of year	<u>\$ 13,668,312</u>	<u>11,999,139</u>	<u>620,895</u>	<u>548,760</u>	<u>14,289,207</u>	<u>12,547,899</u>	<u>13.88%</u>

In fiscal year 2019, property tax and unrestricted state grants accounted for 76.73% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 98.24% of the revenue from business type activities.

The District's total revenues were approximately \$25.99 million, of which approximately \$24.98 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 6.22% increase in revenues and a 0.09% increase in expenses. Revenues from unrestricted state grants increased \$648,990 and revenues from property tax increased \$648,955 to fund the increase in expenses. The increase in expenses occurred mainly in the support services functional area.

Governmental Activities

Revenues for governmental activities were \$24,983,766 and expenses were \$23,344,836 for the year ended June 30, 2019.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2019 compared to those expenses for the year ended June 30, 2018.

	Total Cost of Services			Net Cost of Services		
	2019	2018	Change 2018-19	2019	2018	Change 2018-19
Instruction	\$ 13,139,116	13,493,195	-2.62%	10,224,462	10,617,684	-3.70%
Support services	7,472,070	7,257,347	2.96%	7,406,283	7,192,699	2.97%
Support services	3,000	4,500	-33.33%	3,000	4,500	-33.33%
Other expenses	2,730,650	2,573,588	6.10%	1,993,857	1,881,554	5.97%
Totals	<u>\$ 23,344,836</u>	<u>23,328,630</u>	<u>0.07%</u>	<u>19,627,602</u>	<u>19,696,437</u>	<u>-0.35%</u>

For the year ended June 30, 2019:

- The cost financed by users of the District's programs was \$2,325,999.
- Federal and state governments, along with local sources, subsidized certain programs and projects with grants and contributions totaling \$1,391,235.
- The net cost of governmental activities was financed with \$8,370,727 of property tax, \$1,769,434 of statewide sales, services and use tax, \$10,798,290 in unrestricted state grants, \$199,370 in interest income and \$128,711 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$1,008,477 and expenses were \$906,099 for the year ended June 30, 2019. 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, Adel-De Soto-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 \$11,702,181, above last year's ending fund balances of \$10,287,842. The primary reason for the increase in combined fund balances was the increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund and General Fund balances.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The fund balance increased from \$2,497,443 at June 30, 2018 to \$3,293,271 at June 30, 2019. The increase in fund balance was mainly caused by significant increases in property tax revenues and revenues from state sources combined with only a slight increase in expenditures.

- The Capital Projects Fund balance increased from \$5,332,427 at June 30, 2018 to \$6,313,214 at June 30, 2019. The primary reason for the increase in fund balance was capital outlay expenditures were only 56.69% of the amounts incurred in the prior year.
- The Debt Service Fund balance increased from \$40,461 at June 30, 2018 to \$79,129 at June 30, 2019. Revenues and expenditures did not vary significantly from the prior year.

Proprietary Fund Highlights

- The School Nutrition Fund net position increased from \$323,503 at June 30, 2018 to \$383,206 at June 30, 2019, an increase of 18.45%. Total revenues and expenses were very comparable to the prior year.
- The Childcare Fund net position increased from \$225,257 at June 30, 2018 to \$237,689 at June 30, 2018, an increase of 5.52%. Although revenues from charges for service decreased 32.08%, or \$27,545, total revenues still outpaced expenses causing the improvement in net position.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$56,929 more than total budgeted revenues, a variance of 0.22%. The most significant variance resulted from the District receiving more from federal sources than originally anticipated.

Total expenditures were less than budgeted, due in part 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 ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had invested \$30,063,706, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This represents a net decrease of 3.44% from the prior year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$1,610,579.

The original cost of the District's capital assets was \$46,697,456. Governmental activities accounted for \$46,353,276 with the remainder of \$344,180 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 \$0 at June 30, 2019, compared to \$3,521,796 at June 30, 2018. This decrease was caused by the completion of the stadium and athletic complex projects during the year.

	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,		
2019	2018	2019	2018	2019	2018	2018-19		
Land	\$ 669,715	669,715	-	-	669,715	669,715	0.00%	
Construction in progress	-	3,521,796	-	-	-	3,521,796	-100.00%	
Buildings	23,663,637	24,721,901	-	-	23,663,637	24,721,901	-4.28%	
Land improvements	4,976,955	1,534,574	-	-	4,976,955	1,534,574	224.32%	
Machinery and equipment	679,550	615,709	73,849	69,576	753,399	685,285	9.94%	
Total	\$ 29,989,857	31,063,695	73,849	69,576	30,063,706	31,133,271	-3.44%	

Long-Term Debt

At June 30, 2019, the District had \$19,765,000 of total long-term debt outstanding. This represents a net decrease of 8.09% from the prior year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

- The District had outstanding general obligation bonded indebtedness of \$16,740,000 at June 30, 2019.
- The District had outstanding revenue bonded indebtedness of \$2,590,000 at June 30, 2019, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had outstanding capital loan notes of \$435,000 at June 30, 2019, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total	Total	
	District	Change	
	June 30,	June 30,	
	2019	2018	2018-19
General obligation bonds	\$ 16,740,000	18,110,000	-7.56%
Revenue bonds	2,590,000	2,825,000	-8.32%
Capital loan notes	435,000	570,000	-23.68%
Total	<u>\$ 19,765,000</u>	<u>21,505,000</u>	<u>-8.09%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- 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 completed a Facility Master Plan to determine space needs due to continued enrollment growth. This plan was presented to the Board in January, 2019. On June 25, 2019 the voters approved to bond for \$15,750,000 to build a new elementary school.
- At the end of 2019, the SAVE Fund had a balance of \$5,741,719. In October 2019, the District used this fund to purchase land for the new building for \$1,859,265.60. The District will also use SAVE dollars to help with the new building costs.
- The District's special education deficit was increasing each year to a high of \$858,474 at the end of 2018. The District was able to lower the deficit in 2019 to \$522,047.11. This reduction helps to lower the amount needed for cash reserve to cover the deficit thus positively impacting property tax rates.
- 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-De Soto-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, 2019

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 13,492,566	818,241	14,310,807
Receivables:			
Property tax:			
Delinquent	42,285	-	42,285
Succeeding year	8,870,413	-	8,870,413
Accounts receivable	108,927	3,623	112,550
Due from other governments	641,827	-	641,827
Inventories	-	4,384	4,384
Capital assets not being depreciated:			
Land	669,715	-	669,715
Capital assets, net of accumulated depreciation:			
Buildings, land improvements and machinery and equipment	29,320,142	73,849	29,393,991
Total assets	53,145,875	900,097	54,045,972
Deferred Outflows of Resources			
Pension related deferred outflows	3,015,178	81,269	3,096,447
OPEB related deferred outflows	25,926	749	26,675
Total deferred outflows of resources	3,041,104	82,018	3,123,122
Liabilities			
Accounts payable	789,641	10,855	800,496
Salaries and benefits payable	1,693,999	8,236	1,702,235
Advances for student fees	99,784	-	99,784
Accrued interest payable	87,197	-	87,197
Unamortized net bond premiums/discounts	60,314	-	60,314
Unearned revenue	-	41,191	41,191
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	975,000	-	975,000
Revenue bonds	240,000	-	240,000
Capital loan notes	140,000	-	140,000
Portion due after one year:			
General obligation bonds	15,765,000	-	15,765,000
Revenue bonds	2,350,000	-	2,350,000
Capital loan notes	295,000	-	295,000
Net pension liability	9,691,710	259,733	9,951,443
Total OPEB liability	958,524	27,714	986,238
Total liabilities	33,146,169	347,729	33,493,898
Deferred Inflows of Resources			
Unavailable property tax revenue	8,870,413	-	8,870,413
Pension related deferred inflows	485,346	13,007	498,353
OPEB related deferred inflows	16,739	484	17,223
Total deferred inflows of resources	9,372,498	13,491	9,385,989
Net Position			
Net investment in capital assets	10,224,857	73,849	10,298,706
Restricted for:			
Categorical funding	363,992	-	363,992
Management levy purposes	1,809,112	-	1,809,112
Student activities	207,455	-	207,455
School infrastructure	5,741,719	-	5,741,719
Physical plant and equipment	571,495	-	571,495
Unrestricted	(5,250,318)	547,046	(4,703,272)
Total net position	\$ 13,668,312	620,895	14,289,207

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	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	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 8,620,888	1,491,962	132,024	-	(6,996,902)	-	(6,996,902)
Special	2,744,931	353,681	328,622	-	(2,062,628)	-	(2,062,628)
Other	1,773,297	464,591	143,774	-	(1,164,932)	-	(1,164,932)
	<u>13,139,116</u>	<u>2,310,234</u>	<u>604,420</u>	<u>-</u>	<u>(10,224,462)</u>	<u>-</u>	<u>(10,224,462)</u>
Support services:							
Student	528,362	-	422	-	(527,940)	-	(527,940)
Instructional staff	1,304,936	-	5,022	-	(1,299,914)	-	(1,299,914)
Administration	2,455,011	-	-	-	(2,455,011)	-	(2,455,011)
Operation and maintenance of plant	2,166,667	-	-	11,150	(2,155,517)	-	(2,155,517)
Transportation	1,017,094	15,765	33,428	-	(967,901)	-	(967,901)
	<u>7,472,070</u>	<u>15,765</u>	<u>38,872</u>	<u>11,150</u>	<u>(7,406,283)</u>	<u>-</u>	<u>(7,406,283)</u>
Non-instructional programs:							
Food service operations	3,000	-	-	-	(3,000)	-	(3,000)
Long-term debt interest	615,943	-	-	-	(615,943)	-	(615,943)
Other expenditures:							
AEA flowthrough	736,793	-	736,793	-	-	-	-
Depreciation(unallocated)*	1,377,914	-	-	-	(1,377,914)	-	(1,377,914)
	<u>2,114,707</u>	<u>-</u>	<u>736,793</u>	<u>-</u>	<u>(1,377,914)</u>	<u>-</u>	<u>(1,377,914)</u>
Total governmental activities	<u>23,344,836</u>	<u>2,325,999</u>	<u>1,380,085</u>	<u>11,150</u>	<u>(19,627,602)</u>	<u>-</u>	<u>(19,627,602)</u>
Business type activities:							
Support services:							
Instructional staff	45	-	-	-	-	(45)	(45)
Administration	1,192	-	-	-	-	(1,192)	(1,192)
	<u>1,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,237)</u>	<u>(1,237)</u>
Non-instructional programs:							
Food service operations	856,212	600,930	331,465	-	-	76,183	76,183
Community service operations	48,650	58,310	-	-	-	9,660	9,660
	<u>904,862</u>	<u>659,240</u>	<u>331,465</u>	<u>-</u>	<u>-</u>	<u>85,843</u>	<u>85,843</u>
Total business type activities	<u>906,099</u>	<u>659,240</u>	<u>331,465</u>	<u>-</u>	<u>-</u>	<u>84,606</u>	<u>84,606</u>
Total	<u>\$ 24,250,935</u>	<u>2,985,239</u>	<u>1,711,550</u>	<u>11,150</u>	<u>(19,627,602)</u>	<u>84,606</u>	<u>(19,542,996)</u>
General Revenues and Transfers:							
Property tax levied for:							
General purposes				\$ 5,839,398	-		5,839,398
Debt service				1,905,530	-		1,905,530
Capital outlay				625,799	-		625,799
Statewide sales, services and use tax				1,769,434	-		1,769,434
Unrestricted state grants				10,798,290	-		10,798,290
Unrestricted investment earnings				199,370	12,257		211,627
Other				128,711	5,515		134,226
Transfers				30,243	(30,243)		-
Total general revenues and transfers				<u>21,296,775</u>	<u>(12,471)</u>		<u>21,284,304</u>
Change in net position				1,669,173	72,135		1,741,308
Net position beginning of year				11,999,139	548,760		12,547,899
Net position end of year				<u>\$ 13,668,312</u>	<u>620,895</u>		<u>14,289,207</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 5,065,659	6,310,064	71,949	2,044,894	13,492,566
Receivables:					
Property tax:					
Delinquent	29,369	3,175	9,668	73	42,285
Succeeding year	6,181,445	664,745	2,024,223	-	8,870,413
Accounts	84,328	9,873	112	14,614	108,927
Due from other governments	500,959	140,793	-	75	641,827
Total assets	\$ 11,861,760	7,128,650	2,105,952	2,059,656	23,156,018
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 597,801	150,691	2,600	38,549	789,641
Salaries and benefits payable	1,693,559	-	-	440	1,693,999
Advances for student fees	95,684	-	-	4,100	99,784
Total liabilities	2,387,044	150,691	2,600	43,089	2,583,424
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	6,181,445	664,745	2,024,223	-	8,870,413
Fund balances:					
Restricted for:					
Categorical funding	363,992	-	-	-	363,992
Debt service	-	-	79,129	-	79,129
Management levy purposes	-	-	-	1,809,112	1,809,112
Student activities	-	-	-	207,455	207,455
School infrastructure	-	5,741,719	-	-	5,741,719
Physical plant and equipment	-	571,495	-	-	571,495
Assigned	138,331	-	-	-	138,331
Unassigned	2,790,948	-	-	-	2,790,948
Total fund balances	3,293,271	6,313,214	79,129	2,016,567	11,702,181
Total liabilities, deferred inflows of resources and fund balances	\$ 11,861,760	7,128,650	2,105,952	2,059,656	23,156,018

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, 2019

Total fund balances of governmental funds(page 20)	\$	11,702,181
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		29,989,857
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(87,197)
Net premiums/discounts associated with bond issuances are amortized over the life of the bonds in the government-wide financial statements.		(60,314)
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 3,041,104	
Deferred inflows of resources	<u>(502,085)</u>	2,539,019
Long-term liabilities, including bonds payable, capital loan notes payable, net pension liability and total OPEB liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>(30,415,234)</u>
Net position of governmental activities(page 18)	\$	<u><u>13,668,312</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, 2019

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 5,824,918	625,799	1,905,530	14,480	8,370,727
Tuition	1,749,452	-	-	-	1,749,452
Other	438,273	108,194	10,482	461,444	1,018,393
State sources	11,525,386	1,779,443	30,477	248	13,335,554
Federal sources	509,640	-	-	-	509,640
Total revenues	20,047,669	2,513,436	1,946,489	476,172	24,983,766
Expenditures:					
Current:					
Instruction:					
Regular	8,118,090	30,777	-	139,893	8,288,760
Special	2,660,973	-	-	-	2,660,973
Other	1,262,276	-	-	490,204	1,752,480
	12,041,339	30,777	-	630,097	12,702,213
Support services:					
Student	492,946	-	-	1,000	493,946
Instructional staff	1,169,902	16,815	-	3,798	1,190,515
Administration	2,199,742	137,700	-	10,939	2,348,381
Operation and maintenance of plant	1,919,042	1,551	-	175,990	2,096,583
Transportation	761,227	219,806	-	52,292	1,033,325
	6,542,859	375,872	-	244,019	7,162,750
Non-instructional programs:					
Food service operations	-	-	-	3,000	3,000
Capital outlay	-	682,006	-	-	682,006
Long-term debt:					
Principal	-	-	1,740,000	-	1,740,000
Interest and fiscal charges	-	-	620,325	-	620,325
	-	-	2,360,325	-	2,360,325
Other expenditures:					
AEA flowthrough	736,793	-	-	-	736,793
Total expenditures	19,320,991	1,088,655	2,360,325	877,116	23,647,087
Excess(Deficiency) of revenues over(under) expenditures	726,678	1,424,781	(413,836)	(400,944)	1,336,679
Other financing sources(uses):					
Sale of equipment	185	8,510	-	-	8,695
Insurance proceeds	38,722	-	-	-	38,722
Transfer in	30,243	-	452,504	-	482,747
Transfer out	-	(452,504)	-	-	(452,504)
Total other financing sources(uses)	69,150	(443,994)	452,504	-	77,660
Change in fund balances	795,828	980,787	38,668	(400,944)	1,414,339
Fund balances beginning of year	2,497,443	5,332,427	40,461	2,417,511	10,287,842
Fund balances end of year	\$ 3,293,271	6,313,214	79,129	2,016,567	11,702,181

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, 2019

Change in fund balances - total governmental funds(page 22) \$ 1,414,339

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 exceeded capital outlay expenditures in the current year as follows:

Capital outlay	\$ 526,513	
Depreciation expense	<u>(1,600,351)</u>	(1,073,838)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 4,382

Premiums/discounts on the issuance of bonds are recorded in the governmental funds as they occur, but are amortized over the life of the bonds in the government-wide financial statements. 12,062

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in Statement of Net Position. 1,740,000

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 1,100,232

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	(1,543,140)	
Total OPEB liability and related expenses	<u>(82,615)</u>	<u>(1,528,004)</u>

Change in net position of governmental activities(page 19) \$ 1,669,173

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Childcare	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 561,241	257,000	818,241
Accounts receivable	3,221	402	3,623
Inventories	4,384	-	4,384
Total current assets	568,846	257,402	826,248
Noncurrent assets:			
Capital assets, net of accumulated depreciation	72,728	1,121	73,849
Total assets	641,574	258,523	900,097
Deferred Outflows of Resources			
Pension related deferred outflows	73,189	8,080	81,269
OPEB related deferred outflows	704	45	749
Total deferred outflows of resources	73,893	8,125	82,018
Liabilities			
Current liabilities:			
Accounts payable	10,855	-	10,855
Salaries and benefits payable	7,108	1,128	8,236
Unearned revenue	41,191	-	41,191
Total current liabilities	59,154	1,128	60,282
Noncurrent liabilities:			
Net pension liability	234,854	24,879	259,733
Total OPEB liability	26,037	1,677	27,714
Total noncurrent liabilities	260,891	26,556	287,447
Total liabilities	320,045	27,684	347,729
Deferred Inflows of Resources			
Pension related deferred inflows	11,761	1,246	13,007
OPEB related deferred inflows	455	29	484
Total deferred inflows of resources	12,216	1,275	13,491
Net Position			
Net investment in capital assets	72,728	1,121	73,849
Unrestricted	310,478	236,568	547,046
Total net position	\$ 383,206	237,689	620,895

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, 2019

	Business Type Activities: Enterprise Funds		
	School Nutrition	Childcare	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 600,930	58,310	659,240
Miscellaneous	5,515	-	5,515
Total operating revenues	606,445	58,310	664,755
Operating expenses:			
Support services:			
Instructional staff:			
Services	-	45	45
Administration:			
Services	105	1,087	1,192
Total support services	105	1,132	1,237
Non-instructional programs:			
Food service operations:			
Salaries	284,242	-	284,242
Benefits	89,482	-	89,482
Services	115	-	115
Supplies	472,775	-	472,775
Depreciation	9,598	-	9,598
	856,212	-	856,212
Community service operations:			
Salaries	-	35,938	35,938
Benefits	-	8,364	8,364
Supplies	-	3,718	3,718
Depreciation	-	630	630
	-	48,650	48,650
Total non-instructional programs	856,212	48,650	904,862
Total operating expenses	856,317	49,782	906,099
Operating income(loss)	(249,872)	8,528	(241,344)
Non-operating revenues:			
State sources	6,498	-	6,498
Federal sources	324,967	-	324,967
Interest income	8,353	3,904	12,257
Total non-operating revenues	339,818	3,904	343,722
Change in net position before other financing uses	89,946	12,432	102,378
Other financing uses:			
Transfer out	(30,243)	-	(30,243)
Change in net position	59,703	12,432	72,135
Net position beginning of year	323,503	225,257	548,760
Net position end of year	\$ 383,206	237,689	620,895

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Childcare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 611,334	-	611,334
Cash received from community service operations	-	57,848	57,848
Cash received from miscellaneous	5,515	-	5,515
Cash payments to employees for services	(366,021)	(43,964)	(409,985)
Cash payments to suppliers for goods or services	(387,639)	(5,272)	(392,911)
Net cash provided by(used in) operating activities	<u>(136,811)</u>	<u>8,612</u>	<u>(128,199)</u>
Cash flows from non-capital financing activities:			
Transfer to the General Fund	(30,243)	-	(30,243)
State grants received	6,498	-	6,498
Federal grants received	255,277	-	255,277
Net cash provided by non-capital financing activities	<u>231,532</u>	<u>-</u>	<u>231,532</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(14,501)	-	(14,501)
Cash flows from investing activities:			
Interest on investments	8,353	3,904	12,257
Net increase in cash and pooled investments	88,573	12,516	101,089
Cash and pooled investments beginning of year	472,668	244,484	717,152
Cash and pooled investments end of year	<u>\$ 561,241</u>	<u>257,000</u>	<u>818,241</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (249,872)	8,528	(241,344)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	69,690	-	69,690
Depreciation	9,598	630	10,228
Decrease in inventories	4,888	-	4,888
Increase in accounts receivable	(1,861)	(402)	(2,263)
Increase(Decrease) in accounts payable	10,778	(422)	10,356
Increase(Decrease) in salaries and benefits payable	(1,871)	201	(1,670)
Decrease in net pension liability	(11,413)	(1,800)	(13,213)
Decrease in deferred outflows of resources	10,983	1,011	11,994
Increase in deferred inflows of resources	7,001	732	7,733
Increase(Decrease) in unearned revenue	12,265	(60)	12,205
Increase in OPEB liability	3,003	194	3,197
Net cash provided by(used in) operating activities	<u>\$ (136,811)</u>	<u>8,612</u>	<u>(128,199)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2019, the District received \$69,690 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Private Purpose Trust	Agency
	Scholarship	
Assets		
Cash and pooled investments	\$ 550	262
Liabilities		
Due to other groups	-	262
Net Position		
Held in trust for scholarships	\$ 550	-

SEE NOTES TO FINANCIAL STATEMENTS.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2019

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$ 1,500</u>
Deductions:	
Instruction:	
Regular:	
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, 2019

(1) Summary of Significant Accounting Policies

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 predominate agricultural territory in Dallas and Madison Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the 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 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 Counties Assessors' Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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

The District also reports the following nonmajor proprietary funds:

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

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

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 amortized 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 is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property 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, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2018.

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 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair 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	3,500
Land improvements	3,500
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 applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

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

Advances for Student Fees - Registration and other student fees received by the District for succeeding years which will be recognized as revenue when earned.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

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

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

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

Deferred inflows of resources in 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 pension and OPEB expense.

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 in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2019, the District had no such investments.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2019 was 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	3,521,796	63,497	3,585,293	-
Total capital assets not being depreciated	<u>4,191,511</u>	<u>63,497</u>	<u>3,585,293</u>	<u>669,715</u>
Capital assets being depreciated:				
Buildings	36,054,910	49,550	-	36,104,460
Land improvements	2,919,387	3,712,481	-	6,631,868
Machinery and equipment	2,660,955	286,278	-	2,947,233
Total capital assets being depreciated	<u>41,635,252</u>	<u>4,048,309</u>	<u>-</u>	<u>45,683,561</u>
Less accumulated depreciation for:				
Buildings	11,333,009	1,107,814	-	12,440,823
Land improvements	1,384,813	270,100	-	1,654,913
Machinery and equipment	2,045,246	222,437	-	2,267,683
Total accumulated depreciation	<u>14,763,068</u>	<u>1,600,351</u>	<u>-</u>	<u>16,363,419</u>
Total capital assets being depreciated, net	<u>26,872,184</u>	<u>2,447,958</u>	<u>-</u>	<u>29,320,142</u>
Governmental activities capital assets, net	<u>\$ 31,063,695</u>	<u>2,511,455</u>	<u>3,585,293</u>	<u>29,989,857</u>
Business type activities:				
Machinery and equipment	\$ 332,016	14,501	2,337	344,180
Less accumulated depreciation	262,440	10,228	2,337	270,331
Business type activities capital assets, net	<u>\$ 69,576</u>	<u>4,273</u>	<u>-</u>	<u>73,849</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 4,358
Other	17,470
Support services:	
Instructional staff	16,539
Administration	3,363
Operation and maintenance of plant	15,779
Transportation	164,928
	<u>222,437</u>
Unallocated depreciation	<u>1,377,914</u>
Total governmental activities depreciation expense	<u>\$ 1,600,351</u>
Business type activities:	
Food service operations	\$ 9,598
Community service operations	630
Total business type activities depreciation expense	<u>\$ 10,228</u>

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2019 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 18,110,000	-	1,370,000	16,740,000	975,000
Revenue bonds	2,825,000	-	235,000	2,590,000	240,000
Capital loan notes	570,000	-	135,000	435,000	140,000
Termination benefits	97,751	-	97,751	-	-
Net pension liability	9,988,174	-	296,464	9,691,710	-
Total OPEB liability	847,994	110,530	-	958,524	-
Total	<u>\$ 32,438,919</u>	<u>110,530</u>	<u>2,134,215</u>	<u>30,415,234</u>	<u>1,355,000</u>
Business type activities:					
Net pension liability	272,946	-	13,213	259,733	-
Total OPEB liability	24,517	3,197	-	27,714	-
Total	<u>\$ 297,463</u>	<u>3,197</u>	<u>13,213</u>	<u>287,447</u>	<u>-</u>

General Obligation Bonds Payable

During the year ended June 30, 2018, the District approved an additional debt service levy to advance refund \$100,000 in principal of the 2012 series general obligation bonds maturing May 1, 2024, \$100,000 in principal of the 2012 series general obligation bonds maturing May 1, 2023, \$100,000 in principal of the 2012 series general obligation bonds maturing May 1, 2022 and \$110,000 in principal of the 2012 series general obligation bonds maturing May 1, 2021. During the year ended June 30, 2019, the District completed the advance refunding totaling \$410,000 in principal described above. The savings from the surplus levy and advance refunding was \$29,360. Details of the District's June 30, 2019 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated May 1, 2012			Issue dated May 1, 2014		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2020	1.60%	\$ 935,000	65,866	3.00%	\$ -	363,375
2021	1.80	840,000	50,906	3.00	-	363,375
2022	2.00	860,000	35,786	3.00	-	363,375
2023	2.10	885,000	18,586	3.00	-	363,375
2024		-	-	3.00	-	363,375
2025-2029		-	-	3.00-3.25	2,850,000	1,755,375
2030-2034		-	-	4.00	6,870,000	845,800
Total		<u>\$ 3,520,000</u>	<u>171,144</u>		<u>\$ 9,720,000</u>	<u>4,418,050</u>

Year Ending June 30,	Issue dated June 25, 2015			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2020	2.00%	\$ 40,000	81,681	975,000	510,922	1,485,922
2021	2.00	40,000	80,881	880,000	495,162	1,375,162
2022	2.25	45,000	80,081	905,000	479,242	1,384,242
2023	2.25	40,000	79,069	925,000	461,030	1,386,030
2024	2.25	945,000	78,169	945,000	441,544	1,386,544
2025-2029	2.25-2.50	2,390,000	118,150	5,240,000	1,873,525	7,113,525
2030-2034		-	-	6,870,000	845,800	7,715,800
Total		<u>\$ 3,500,000</u>	<u>518,031</u>	<u>16,740,000</u>	<u>5,107,225</u>	<u>21,847,225</u>

Revenue Bonds Payable

Details of the District's June 30, 2019 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated March 28, 2016 Series A			Issue dated March 28, 2016 Series B			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2020	2.50%	\$ 120,000	32,375	1.55%	\$ 120,000	27,591	240,000	59,966	299,966
2021	2.50	120,000	29,375	1.70	120,000	25,731	240,000	55,106	295,106
2022	2.50	122,500	26,375	1.80	122,500	23,691	245,000	50,066	295,066
2023	2.50	125,000	23,313	1.90	125,000	21,846	250,000	45,159	295,159
2024	2.50	127,500	20,187	2.10	127,500	19,111	255,000	39,298	294,298
2025-2029	2.50	680,000	51,813	2.15-2.70	680,000	51,996	1,360,000	103,809	1,463,809
Total		<u>\$ 1,295,000</u>	<u>183,438</u>		<u>\$ 1,295,000</u>	<u>169,966</u>	<u>2,590,000</u>	<u>353,404</u>	<u>2,943,404</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 various District construction projects. 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 approximately 17% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,943,404. For the current year, \$235,000 in principal and \$64,490 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,769,434.

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 \$570,000 of capital loan notes with interest rates ranging from 2.65%-2.90% to provide funds for an energy savings project. These notes and the interest will be paid from the Capital Projects: Physical Plant and Equipment Levy Fund. Details of the District's capital loan note indebtedness as of June 30, 2019 are as follows:

Year Ending June 30,	Issue dated April 27, 2018			
	Interest Rates	Principal	Interest	Total
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
Total		<u>\$ 435,000</u>	<u>25,050</u>	<u>460,050</u>

(5) 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 the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

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

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

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

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2019 were \$1,130,182.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the District reported a liability of \$9,951,443 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the District's proportion was 0.157254%, which was an increase of 0.003212% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,580,411. At June 30, 2019, 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	\$ 54,562	224,919
Changes of assumptions	1,419,635	-
Net difference between projected and actual earnings on IPERS' investments	-	273,434
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	492,068	-
District contributions subsequent to the measurement date	1,130,182	-
Total	<u>\$ 3,096,447</u>	<u>498,353</u>

\$1,130,182 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, 2020. 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
2020	\$ 873,556
2021	489,833
2022	51,441
2023	52,959
2024	123
Total	<u>\$ 1,467,912</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	100.0%	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 16,889,599	9,951,443	4,131,362

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, 2019, the District reported payables to IPERS of \$131,349 for legally required District contributions and \$87,520 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(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, 2019, 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 \$986,238 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2019)	2.60% per annum.
Rates of salary increase (effective June 30, 2019)	3.25-16.25% variable based upon years of service, including inflation.
Discount rate (effective June 30, 2019)	3.50% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2019)	6.75% 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 3.50% 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.

Pre-retirement mortality rates are from the RP-2000 Employee Mortality Table, projected generationally using scale AA. Post-retirement mortality rates are from the RP-2000 Healthy Annuitant Mortality Table, projected generationally using scale AA. 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, 2019 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	\$ 872,511
Changes for the year:	
Service cost	89,192
Interest	36,424
Changes in assumptions	29,521
Benefit payments	<u>(41,410)</u>
Net changes	<u>113,727</u>
Total OPEB liability end of year	<u><u>\$ 986,238</u></u>

Changes of assumptions reflect a change in the discount rate from 3.87% in fiscal year 2018 to 3.50% in fiscal year 2019.

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 (2.50%) or 1% higher (4.50%) than the current discount rate.

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 1,070,166	986,238	907,975

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.

	1% Decrease (5.75%)	Healthcare Cost Trend Rate (6.75%)	1% Increase (7.75%)
Total OPEB liability	\$ 856,330	986,238	1,142,885

OPEB Expense and Deferred Outflows of Resources Related to OPEB - For the year ended June 30, 2019, the District recognized OPEB expense of \$126,415. At June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 26,675	17,223

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

Year Ended June 30,	Amount
2020	\$ 799
2021	799
2022	799
2023	799
2024	799
Thereafter	5,457
Total	\$ 9,452

(7) Risk Management

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

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	School Nutrition	\$ 30,243
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	301,490
Debt Service	Capital Projects: Physical Plant and Equipment Levy	151,014
Total		<u>\$ 482,747</u>

The transfer from the School Nutrition Fund to the General Fund was a reimbursement for indirect costs.

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

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was for principal and interest payments on the District's capital loan note indebtedness.

(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 \$736,793 for the year ended June 30, 2019 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Net Investment in Capital Assets</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	79,129	2,790,948
Capital assets, net of accumulated depreciation	29,989,857	-	-
General obligation bond capitalized indebtedness	(16,740,000)	-	-
Revenue bond capitalized indebtedness	(2,590,000)	-	-
Capital loan note capitalized indebtedness	(435,000)	-	-
Accrued interest payable	-	(79,129)	(8,068)
Assigned for specific purposes	-	-	138,331
Pension related deferred outflows of resources	-	-	3,015,178
OPEB related deferred outflows of resources	-	-	25,926
Unamortized net bond premiums/discounts	-	-	(60,314)
Net pension liability	-	-	(9,691,710)
Total OPEB liability	-	-	(958,524)
Pension related deferred inflows of resources	-	-	(485,346)
OPEB related deferred inflows of resources	-	-	(16,739)
Net position (Exhibit A)	<u>\$ 10,224,857</u>	<u>-</u>	<u>(5,250,318)</u>

(11) 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, 2019.

<u>Program</u>	<u>Amount</u>
Gifted and talented programs	\$ 108,102
Teacher leadership state aid	118,873
Teacher salary supplement	40,244
Market factor	2,970
Career and technical education aid	210
Successful progression for early readers	56,523
Professional development	37,070
Total	<u>\$ 363,992</u>

(12) 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, 2019 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of DeSoto	Urban renewal and economic development projects	\$26,060

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, 2019, this reimbursement amounted to \$12,205.

(13) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.



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, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 11,138,572	677,012	11,815,584	11,772,353	11,772,353	43,231
State sources	13,335,554	6,498	13,342,052	13,393,961	13,393,961	(51,909)
Federal sources	509,640	324,967	834,607	769,000	769,000	65,607
Total revenues	24,983,766	1,008,477	25,992,243	25,935,314	25,935,314	56,929
Expenditures/Expenses:						
Instruction	12,702,213	-	12,702,213	15,250,000	15,250,000	2,547,787
Support services	7,162,750	1,237	7,163,987	9,148,500	9,148,500	1,984,513
Non-instructional programs	3,000	904,862	907,862	1,206,000	1,206,000	298,138
Other expenditures	3,779,124	-	3,779,124	12,778,907	12,778,907	8,999,783
Total expenditures/expenses	23,647,087	906,099	24,553,186	38,383,407	38,383,407	13,830,221
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,336,679	102,378	1,439,057	(12,448,093)	(12,448,093)	13,887,150
Other financing sources, net	77,660	(30,243)	47,417	12,000,000	12,000,000	(11,952,583)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,414,339	72,135	1,486,474	(448,093)	(448,093)	1,934,567
Balances beginning of year	10,287,842	548,760	10,836,602	8,985,059	8,985,059	1,851,543
Balances end of year	\$ 11,702,181	620,895	12,323,076	8,536,966	8,536,966	3,786,110

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2019

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

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

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

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 FIVE YEARS*
REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.157254%	0.154042%	0.144792%	0.146119%	0.142672%
District's proportionate share of the net pension liability	\$ 9,951,443	10,261,120	9,112,214	7,218,985	5,658,244
District's covered payroll	\$ 11,819,711	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	84.19%	89.24%	87.70%	72.11%	60.60%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 1,130,182	1,055,500	1,026,813	927,812	893,935	833,731	754,230	677,997	572,829	555,792
Contributions in relation to the statutorily required contribution	\$ (1,130,182)	(1,055,500)	(1,026,813)	(927,812)	(893,935)	(833,731)	(754,230)	(677,997)	(572,829)	(555,792)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 11,972,264	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
Contributions as a percentage of covered payroll	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2019

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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

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

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

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

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

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

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

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 LAST TWO YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018
Service cost	\$ 89,192	96,514
Interest cost	36,424	31,696
Changes in assumptions	29,521	(21,317)
Benefit payments	(41,410)	(46,070)
Net change in total OPEB liability	113,727	60,823
Total OPEB liability beginning of year	872,511	811,688
Total OPEB liability end of year	\$ 986,238	872,511
Covered-employee payroll	\$ 10,516,016	10,869,352
Total OPEB liability as a percentage of covered-employee payroll	9.38%	8.03%

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, 2019	3.50%
Year ended June 30, 2018	3.58%
Year ended June 30, 2017	3.87%



SUPPLEMENTARY INFORMATION

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 1,809,328	235,566	2,044,894
Receivables:			
Property tax:			
Delinquent	73	-	73
Accounts	2,831	11,783	14,614
Due from other governments	-	75	75
Total assets	\$ 1,812,232	247,424	2,059,656
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 3,120	35,429	38,549
Salaries and benefits payable	-	440	440
Advances for student fees	-	4,100	4,100
Total liabilities	3,120	39,969	43,089
Deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Management levy purposes	1,809,112	-	1,809,112
Student activities	-	207,455	207,455
Total fund balances	1,809,112	207,455	2,016,567
Total liabilities, deferred inflows of resources and fund balances	\$ 1,812,232	247,424	2,059,656

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2019

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 14,480	-	14,480
Other	30,805	430,639	461,444
State sources	248	-	248
Total revenues	<u>45,533</u>	<u>430,639</u>	<u>476,172</u>
Expenditures:			
Current:			
Instruction:			
Regular	139,893	-	139,893
Other	-	490,204	490,204
Support services:			
Student	1,000	-	1,000
Instructional staff	2,000	1,798	3,798
Administration	10,939	-	10,939
Operation and maintenance of plant	171,612	4,378	175,990
Transportation	52,292	-	52,292
Non-instructional programs:			
Food service operations	3,000	-	3,000
Total expenditures	<u>380,736</u>	<u>496,380</u>	<u>877,116</u>
Change in fund balances	(335,203)	(65,741)	(400,944)
Fund balances beginning of year	<u>2,144,315</u>	<u>273,196</u>	<u>2,417,511</u>
Fund balances end of year	<u>\$ 1,809,112</u>	<u>207,455</u>	<u>2,016,567</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2019

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 5,727,538	582,526	6,310,064
Receivables:			
Property tax:			
Delinquent	-	3,175	3,175
Succeeding year	-	664,745	664,745
Accounts	8,961	912	9,873
Due from other governments	140,793	-	140,793
Total assets	\$ 5,877,292	1,251,358	7,128,650
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 135,573	15,118	150,691
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	664,745	664,745
Fund balances:			
Restricted for:			
School infrastructure	5,741,719	-	5,741,719
Physical plant and equipment	-	571,495	571,495
Total fund balances	5,741,719	571,495	6,313,214
Total liabilities, deferred inflows of resources and fund balances	\$ 5,877,292	1,251,358	7,128,650

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, 2019

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	625,799	625,799
Other	89,256	18,938	108,194
State sources	1,769,434	10,009	1,779,443
Total revenues	<u>1,858,690</u>	<u>654,746</u>	<u>2,513,436</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	30,777	30,777
Support services:			
Instructional staff	-	16,815	16,815
Administration	-	137,700	137,700
Operation and maintenance of plant	1,551	-	1,551
Transportation	-	219,806	219,806
Capital outlay	682,006	-	682,006
Total expenditures	<u>683,557</u>	<u>405,098</u>	<u>1,088,655</u>
Excess of revenues over expenditures	1,175,133	249,648	1,424,781
Other financing sources(uses):			
Sale of equipment	-	8,510	8,510
Transfer out	(301,490)	(151,014)	(452,504)
Total other financing sources(uses)	<u>(301,490)</u>	<u>(142,504)</u>	<u>(443,994)</u>
Change in fund balances	873,643	107,144	980,787
Fund balances beginning of year	<u>4,868,076</u>	<u>464,351</u>	<u>5,332,427</u>
Fund balances end of year	<u>\$ 5,741,719</u>	<u>571,495</u>	<u>6,313,214</u>

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, 2019

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
FCCLA	\$ 103	-	-	-	103
Interest	-	3,951	-	(3,951)	-
Athletics	58,910	23,050	36,988	(6,495)	38,477
Cross country	3,582	8,212	8,901	-	2,893
Golf	-	13,468	13,177	-	291
Weight program	-	1,034	19,039	18,005	-
Boys basketball	20,514	12,990	9,894	-	23,610
Football	18,763	41,288	94,520	34,469	-
Boys soccer	-	7,668	8,622	954	-
Baseball	1,600	17,813	25,537	6,124	-
Boys track	2,402	25,484	29,259	1,373	-
Wrestling	-	20,558	27,514	6,956	-
Girls basketball	8,440	15,883	8,619	-	15,704
Volleyball	8,719	17,290	13,847	-	12,162
Girls soccer	3,673	8,420	6,814	-	5,279
Softball	-	11,606	12,498	892	-
Girls track	1,693	10,645	12,290	-	48
FFA	11,053	34,063	26,541	-	18,575
Other clubs	63	526	-	(63)	526
High school prom	4,527	8,139	11,034	-	1,632
Special events	86,945	98,100	76,073	(58,972)	50,000
Drama	2,513	6,330	4,774	-	4,069
Speech contest	2,716	5,248	3,001	-	4,963
International club	88	-	-	-	88
National honor society	600	2,013	1,562	-	1,051
Danz team	2,120	12,430	14,930	380	-
SADD	4,419	-	-	-	4,419
Thespian club	411	370	510	-	271
Student council	5,114	2,479	3,733	-	3,860
TSA	2,235	1,526	3,888	127	-
Yearbook	5,013	9,233	9,128	-	5,118
High school hall of fame	2,600	-	-	-	2,600
Cheerleading	4,530	5,589	10,320	201	-
Academic decathlon	-	1,292	200	-	1,092
Mock trial	-	400	391	-	9
Middle school student council	7,548	3,093	2,317	-	8,324
Middle school yearbook	2,302	448	459	-	2,291
Total	\$ 273,196	430,639	496,380	-	207,455

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, 2019

	Balance Beginning of Year	Additions	Reductions	Balance End of Year
Assets				
Cash and pooled investments	\$ -	44,620	44,358	262
Liabilities				
Due to other groups	\$ -	44,620	44,358	262

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues:										
Local sources:										
Local tax	\$ 8,370,727	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
Tuition	1,749,452	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
Other	1,018,393	1,053,865	852,020	857,324	707,436	729,757	665,614	705,855	569,000	559,022
Intermediate sources	-	-	-	-	-	-	-	-	-	5,975
State sources	13,335,554	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
Federal sources	509,640	524,312	429,718	349,082	288,546	301,918	335,172	370,549	865,861	1,072,551
Total	\$ 24,983,766	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
Expenditures:										
Instruction										
Regular	\$ 8,288,760	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
Special	2,660,973	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
Other	1,752,480	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
Support services:										
Student	493,946	526,723	498,074	543,413	379,487	434,648	364,950	373,737	411,461	398,045
Instructional staff	1,190,515	1,166,232	1,261,472	688,787	689,203	549,166	494,517	549,125	485,563	418,460
Administration	2,348,381	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
Operation and maintenance of plant	2,096,583	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
Transportation	1,033,325	1,011,498	839,282	733,730	666,886	904,166	662,537	653,952	521,914	500,867
Non-instructional programs	3,000	4,500	8,566	-	-	-	-	-	-	282
Capital outlay	682,006	1,202,948	2,643,812	8,016,441	6,280,307	682,785	560,796	160,028	299,087	218,170
Long-term debt:										
Principal	1,740,000	1,665,000	1,154,178	1,772,424	1,176,648	9,493,649	1,210,531	985,000	955,000	920,000
Interest and fiscal charges	620,325	642,101	674,887	602,400	541,220	682,929	576,310	589,597	520,885	551,610
Other expenditures:										
AEA flow-through	736,793	692,034	634,483	613,779	590,160	554,467	521,232	499,852	542,779	522,020
Total	\$ 23,647,087	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

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 standards 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, 2019, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings as item I-A-19 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adel-DeSoto-Minburn Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2019 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. Adel-DeSoto-Minburn Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



NOLTE, CORNMAN & JOHNSON, P.C.

December 16, 2019
Newton, Iowa

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2019

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTRAL DEFICIENCY:

I-A-19 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-19 Certified Budget - District expenditures for the year ended June 30, 2019 did not exceed the certified budgeted amounts.
- II-B-19 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-19 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-19 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-19 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted
- II-H-19 Supplementary Weighting - We noted the supplementary weighting certified to the Iowa Department of Education appears to have been understated by 0.044.

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

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

Conclusion - Response accepted.

- II-I-19 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-19 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-19 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-19 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, 2019, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 4,868,076
Revenues:		
Sales tax revenues	\$ 1,769,434	
Other local revenues	89,256	1,858,690
		<u>6,726,766</u>
Expenditures:		
School infrastructure construction	663,672	
Equipment	1,551	
Other	18,334	
Transfers to other funds:		
Debt Service	301,490	985,047
		<u>5,741,719</u>
Ending balance		<u>\$ 5,741,719</u>

For the year ended June 30, 2019, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.