

ADEL DESOTO MINBURN COMMUNITY SCHOOL  
DISTRICT

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

June 30, 2007

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## Independent Auditor's Report

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

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, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated January 17, 2008 on our consideration of Adel DeSoto Minburn Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 41 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management

regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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. The financial statements for the three years ended June 30, 2006, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

January 17, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Adel DeSoto 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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### Financial Highlights

- General Fund revenues increased from \$11,082,668 in fiscal 2006 to \$11,798,795 in fiscal 2007, while General Fund expenditures increased from \$11,417,808 in fiscal 2006 to \$11,972,182 in fiscal 2007. The District's General Fund balance decreased from (\$163,081) in fiscal 2006 to (\$311,000) in fiscal 2007, a 90.7% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and state grant revenue in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits, an increase in staff to provide special education, and an increase in operation and maintenance of plant for the new 8-9 Middle School.
- District voters passed a bond issue by 73% on October 21, 2003, for \$12,500,000 to construct an 8-9 Building on the high school site, add an Early Childhood Center and all-purpose room at the Adel Elementary School site, and renovate all district buildings to include air-conditioning. Construction continued into fiscal 2006. The remainder of the General Obligations Bonds was sold in fiscal 2006 and Revenue Bonds totaling \$2,505,000 were sold in fiscal 2006 to complete financing for the projects to be concluded in fiscal 2007.
- The State of Iowa dictated a statewide revaluation of agricultural land and a corresponding rollback in residential property values. The District's total taxable valuation significantly decreased for fiscal 2005. The decrease affected the regular Physical Plant and Equipment Levy because it is at its maximum levy. A drop in valuation also affected the amount of bonds that could be sold up to the \$4.05 levy of assessed property valuation for construction, a loss of approximately \$1 million in bonding capacity for the 8-9 grades building and remodeling projects. Valuation for 2007 increased from \$254,845,220 to \$273,206,225, an increase of \$18,361,005 or 7.2%, only now returning valuation to a slightly increased valuation over fiscal 2004.
- Dallas County passed a Local Option Sales and Services Tax of 1¢ on March 25, 2003, by 65% that is projected to provide \$13.4 million to Adel DeSoto Minburn over ten years. That will allow the District to abate property taxes for new construction with sales tax proceeds and allowed the District to drop the Physical Plant and Equipment Levy for 2005-06.

### Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

- The statements for *government funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

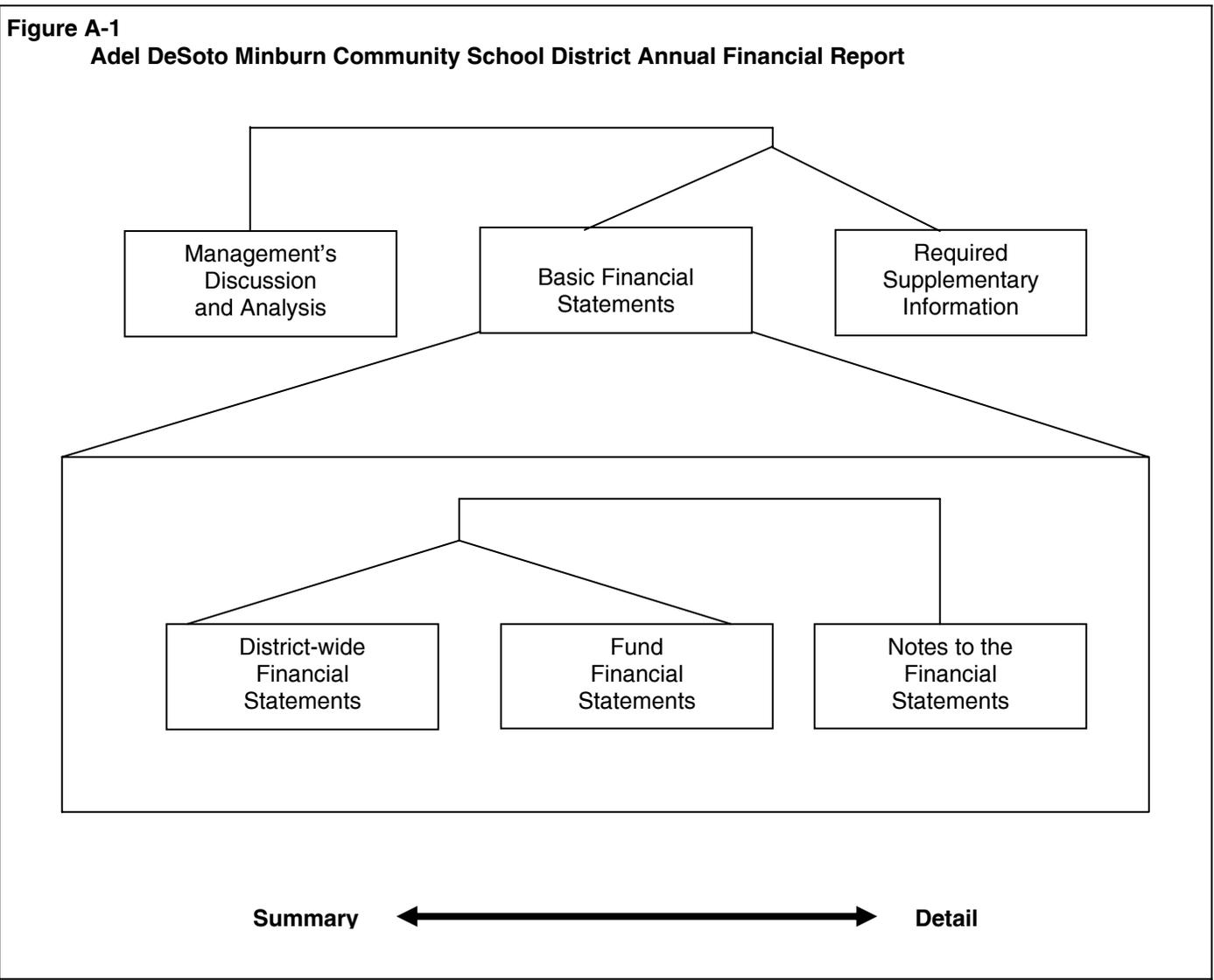


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2 Major Features of the District-Wide and Fund Financial Statements</b>				
	District-Wide Statements	Fund Statements		
		Government 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 services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial Statements	<ul style="list-style-type: none"> <li>▣ Statement of net assets</li> <li>▣ Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>▣ Balance sheet</li> <li>▣ Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>▣ Statement of net assets</li> <li>▣ Statement of revenues, expenses and changes in net assets</li> <li>▣ Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>▣ Statement of fiduciary net assets</li> <li>▣ Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of 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

## District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. 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 District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-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 program and before-and-after school program 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:

- *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. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
  - The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *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 District-wide 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 the Day Care Fund.

- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for custodial purposes and related expenditures.

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

### Financial Analysis of the District as a Whole

**Net assets** – Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2007 compared to 2006.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$9,136	\$8,481	\$ 52	\$ 36	\$9,188	\$ 8,517	7.9%
Capital assets	21,044	19,879	95	104	21,139	19,983	5.8%
Total assets	<u>30,180</u>	<u>28,360</u>	<u>147</u>	<u>140</u>	<u>30,327</u>	<u>28,500</u>	<u>6.4%</u>
Long-term obligations	15,704	16,295	-0-	-0-	15,704	16,295	-3.6%
Other liabilities	8,278	5,581	51	81	8,329	5,662	47.1%
Total liabilities	<u>23,982</u>	<u>21,876</u>	<u>51</u>	<u>81</u>	<u>24,033</u>	<u>21,957</u>	<u>9.5%</u>
Net assets:							
Invested in capital assets, net of related debt	5,419	6,269	95	104	5,514	6,373	-13.5%
Restricted	1,103	466	-0-	-0-	1,103	466	136.7%
Unrestricted	<u>(324)</u>	<u>(251)</u>	<u>1</u>	<u>(45)</u>	<u>(323)</u>	<u>(296)</u>	<u>-9.1%</u>
Total net assets	<u>\$6,198</u>	<u>\$6,484</u>	<u>\$ 96</u>	<u>\$ 59</u>	<u>\$ 6,294</u>	<u>\$ 6,543</u>	<u>-3.8%</u>

The District’s reduced financial position in regard to net assets is the product of many factors. Capital assets increased due to completed construction projects while current assets increased because of accounts receivable of succeeding year property taxes. The reduction of SILO cash paid to contractors was offset by ISCAP program proceeds. PPEL current assets were conserved to be used in future years since the levy is no longer in place.

Long-term obligations decreased because bonds were redeemed for the construction projects. Other liabilities increased due to the District’s participation in the ISCAP program for fiscal year 2008 since bonds were sold in June, 2007.

The restricted net assets increase can be attributed to the balances reserved for the Management Fund levy, SILO Capital Projects, and Debt Service.

Unrestricted net assets decreased due to expenditures for salaries and benefits that decreased General Fund balance because enough budget growth did not occur to offset salary and benefit settlements and because of staff increases for special education.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to 2006.

**Figure A-4**  
**Change in Net Assets**  
**(expressed in thousands)**

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-2007
Revenues:							
Program revenues:							
Charges for service and sales	\$1,315	\$1,252	\$ 467	\$ 450	\$ 1,782	\$ 1,702	4.7 %
Operating grants, contributions and restricted interest	1,287	1,071	190	171	1,477	1,242	18.9%
Capital grants, contributions and restricted interest	94	478	-0-	-0-	94	478	-80.3%
General revenues:							
Property Tax	4,435	3,974	-0-	-0-	4,435	3,974	11.6%
SILO and mobile home taxes	1,303	1,222	-0-	-0-	1,303	1,222	6.6%
Unrestricted state grants	5,949	5,731	-0-	-0-	5,949	5,731	3.8%
Unrestricted investment earnings	44	174	1	2	45	176	-74.4%
Other	32	120	-0-	-0-	32	120	-73.3%
Transfers	(62)	-0-	62	-0-	-0-	-0-	0%
Total revenues and transfers	<u>14,397</u>	<u>14,022</u>	<u>720</u>	<u>623</u>	<u>15,117</u>	<u>14,645</u>	<u>3.2%</u>
Program expenses:							
Governmental activities:							
Instruction	8,315	8,166	-0-	-0-	8,315	8,166	1.8%
Support services	4,183	3,586	-0-	46	4,183	3,632	15.2%
Non-instructional programs	0	0	682	624	682	624	9.3%
Other expenses	2,186	1,378	-0-	-0-	2,186	1,378	58.6%
Total expenses	<u>14,684</u>	<u>13,130</u>	<u>682</u>	<u>670</u>	<u>15,366</u>	<u>13,800</u>	<u>11.3%</u>
Change in net assets	<u>(287)</u>	<u>\$ 892</u>	<u>\$ 38</u>	<u>\$ (47)</u>	<u>(\$249)</u>	<u>\$ 845</u>	<u>-129.5%</u>

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 82% of total expenses. The decrease in net assets is tied to increases in salaries and benefits and plant operation and maintenance.

### Governmental Activities

Revenues and transfers for governmental activities were \$14,396,968 and expenses were \$14,683,969. Enrollment was flat this year, about a two student increase this year, continuing the pressure on the operating budget.

Figure A-5 shows each activity's net cost, (total costs less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(expressed in thousands)**

	Total Cost Of Services	Net Cost Of Services
Instruction	\$ 8,315	\$ 6,191
Support Services	4,183	4,149
Non Instruction programs	0	0
Other expenses	2,186	1,648
Totals	<b>\$ 14,684</b>	<b>\$ 11,988</b>

- The cost financed by users of the District’s programs was \$1,315,243.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,380,931.
- The net cost of governmental activities was financed with \$4,435,125 in property tax, \$1,302,920 in SILO and mobile home taxes, \$5,949,305 in state foundation aid, \$43,620 in interest income, and \$32,429 in other income.

### **Business Type Activities**

Revenues and transfers of the District’s business-type activities were \$720,682 and expenses were \$682,792. The District’s business-type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income.

During the year ended June 30, 2006, increases in meal prices were made. However, School Nutrition Fund lost ground to increases in expenditures in operations and purchase of new equipment related to construction, resulting in a decrease in net assets. Another increase in lunch prices will be instituted for fiscal 2008. The Day Care Fund was able to meet expenses with charges for services and increase net assets.

### **Financial Analysis of the District’s Funds**

As previously noted, the Adel DeSoto Minburn Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$991,103, a significant decrease compared to last year’s ending fund balances of \$3,006,514.

### **Governmental Fund Highlights**

- The District’s declining General Fund financial position is the product of many factors. Little enrollment growth has meant little budget growth; salary and benefit settlements have exceeded that growth. Cash reserves were used to allow maintenance of programming. The number of teacher associates required by special education IEPs caused further pressure on the budget.
- The General Fund balance decreased from (\$163,081) to (\$311,000) because the District was unable to trim expenditures as the negotiated salary and benefit settlements increased 4.8% for certified staff, 4.0% for classified staff, and 3.9% for administrators and more employees were added for special education. Plant operating expenses increased because of the completion of new construction.
- The Management Fund balance increased from \$129,834 to \$157,328 because a levy increase offset property and casualty insurance premiums increases and early retirements increases.

- The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from \$228,598 to \$150,490. SILO receipts have allowed preservation of some of the PEEL fund balance to be used for buying computers and busses. The voted PEEL levy expired June 30, 2005.
- The Capital Projects Fund balance decreased from \$2,633,525 to \$765,137 because of the payments to contractors for construction projects.

### **Proprietary Fund Highlights**

- The School Nutrition Fund net assets increased from \$15,733 at June 30, 2006, to \$46,563 at June 30, 2007, representing an increase of approximately 196 percent. While participation is constant, enrollment has had little growth; revenues are not increasing as fast as increases for expenditures. The increase in net assets was due to the forgiveness of a loan from SILO for equipment related to construction projects.
- The Day Care Fund net assets increased from \$42,983 at June 30, 2006, to \$50,043 at June 30, 2007, representing an increase of approximately 16%. Decreased staff costs have allowed an increase in net assets.

### **Budgetary Highlights**

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 its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District amended its annual operating budget one time to reflect additional revenue and expenditures associated with instruction, support services, non-instructional programs, and a bond issue. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on page 41.

School Districts have two levels of budgetary control, the "certified budget" explained above for all District funds and the "unspent (maximum) authorized budget" that pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

### **Legal Budgetary Highlights**

The District's total actual receipts were approximately \$507,313 more than the total budgeted receipts, a variance of 3.5%. The most significant change resulted in the District receiving more in various local, state and federal sources of funds than originally anticipated.

Total expenditures were less than budgeted due to excess budget for anticipated expenditures that were subsequently delayed. It is the District's practice to budget expenditures to present a balanced budget, showing revenues as expected and maintaining the beginning cash balance at the end of the year, except for capital projects funds and PPEL funds. The District then manages or controls each fund's spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2007, the District had invested \$21.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computer, audio-visual equipment, and transportation equipment. (see Figure A-6) This amount represents a net increase of 5.8 percent from last year. More detailed information is available in Note 6 to the financial statements. Depreciation expense for the year was \$725,747.

The original cost of the District's capital assets was \$28.27 million. Governmental funds account for \$27.34 million with the remainder of \$0.26 million in the Proprietary, School Nutrition Fund and Day Care Fund.

The largest change in capital asset activity during the year occurred in the land improvements and construction-in-progress categories.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(expressed in thousands)**

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$ 670	670	\$ -0-	-0-	\$ 670	670	0.0%
Construction in progress	-0-	11,315	-0-	-0-	-0-	11,315	-100.0%
Buildings	19,339	6,956	-0-	-0-	19,339	6,956	178.0%
Improvements other than buildings	620	589	-0-	-0-	620	589	5.3%
Furniture and equipment	415	349	95	104	510	453	12.6%
<b>Totals</b>	<b>\$ 21,044</b>	<b>19,879</b>	<b>\$ 95</b>	<b>104</b>	<b>\$ 21,139</b>	<b>19,983</b>	<b>5.8%</b>

### Long-Term Debt

At June 30, 2007, the District had \$15,703,712 in outstanding general obligation bond debt and other long-term debt. This represents an decrease of approximately 3.6 percent from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

In March 2003, the voters of Dallas County approved a Local Option Sales and Services Tax of 1¢ to begin collection January 1, 2004. Revenue bonds of \$2,505,000 were sold in fiscal 2006. A bond issue for \$12,500,000 was approved October 21, 2003. Site preparation for new construction for an 8-9 grades building on the campus of the current high school began in June, 2004. Remodeling of other District buildings and air conditioning all District elementary school buildings was completed in fiscal 2007.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(expressed in thousands)**

	Total School District		Total Change
	2007	2006	2006-2007
General obligation bonds	\$ 13,120	\$ 13,610	-3.6%
Revenue bonds	2,505	2,505	0%
Notes payable	0	0	0%
Early retirement	79	180	-56.1%
Compensated absences	0	0	0%
<b>Totals</b>	<b>\$ 15,704</b>	<b>\$ 16,295</b>	<b>-3.6%</b>

## **Factors Bearing on the District's Future**

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

- The State of Iowa dictated a statewide revaluation of agricultural land and the corresponding rollback in residential property values resulted in a loss of approximately \$1 million in bonding capacity for the 8-9 grades building and remodeling projects. The district used revenue bonds based on Local Option Sales and Services Taxes to fund those projects, funds that were intended to replace the Physical Plant and Equipment Levy that expired at the end of fiscal 2005 and were intended to be used as a cushion for other infrastructure needs. The 10-year Facility Plan will be impacted by less funding dollars available unless SILO dollars increase.
- The District experienced declining enrollment for five years before an increase of twenty students in fiscal 2003 that was followed by a loss of students in fiscal 2004. Enrollment increased slightly again for fiscal 2007. The completion of converting U.S. Highway 6 from two lanes to four lanes and new housing projects begun in DeSoto and several rural areas are expected to lead to enrollment increases on a steady basis in future years. Over the last twenty years, the District has experienced an average increase of just under 2% annually.
- Since student growth did not occur to take pressure off the operating budget, the District's declining financial position spurred budget cuts mid-fiscal 2007 to reduce deficit spending in fiscal 2007 and additional cuts for fiscal 2008 to balance the budget. The District approved participation in the ISCAP program for fiscal 2008 for cash flow purposes and levied a cash reserve of \$216,287 to begin to replenish reserves. The District is committed to balanced budgets and positive solvency ratios in future years.
- The District will negotiate a new agreement during fiscal 2008 with the Adel DeSoto Minburn Education Association. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance unless expenditures are reduced or property taxes are increased; the instructional support levy was increased from 7% to a maximum of 10% for fiscal 2005 and has remained at that level.
- In 2001, two important legislative acts were passed into law which affect public school education. The federal government passed "No Child Left Behind" and Iowa passed the "Student Achievement and Teacher Quality Act". The District is continuing to work through the various requirements of these laws. While the intent of this legislation is sound, additional costs and unfunded mandates may develop.

## **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 Shirley McAdon, District Secretary/Treasurer and Business Manager, Adel DeSoto Minburn Community School District, 801 Nile Kinnick Drive South, Adel, Iowa, 50003.

## BASIC FINANCIAL STATEMENTS

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	1,766,205	-	1,766,205
Other	2,119,158	53,124	2,172,282
Receivables:			
Property tax:			
Delinquent	45,048	-	45,048
Succeeding year	4,780,733	-	4,780,733
Accounts	29,639	#REF!	#REF!
Accrued interest ISCAP	528	-	528
Due from other governments	383,698	1,077	384,775
Interfund balances	11,000	(11,000)	-
Inventories	-	8,845	8,845
Capital assets, net of accumulated depreciation	21,044,303	95,277	21,139,580
<b>Total assets</b>	<b>30,180,312</b>	<b>#REF!</b>	<b>#REF!</b>
<b>Liabilities</b>			
Accounts payable	263,988	841	264,829
Salaries and benefits payable	1,260,609	40,616	1,301,225
Due to other governments	57,015	-	57,015
Accrued interest payable	134,056	-	134,056
Deferred revenue:			
Succeeding year property tax	4,780,733	-	4,780,733
Other	-	9,297	9,297
ISCAP warrants payable	1,769,000	-	1,769,000
ISCAP accrued interest payable	435	-	435
ISCAP premium	13,126	-	13,126
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	510,000	-	510,000
Revenue bonds payable	320,000	-	320,000
Termination benefits	78,712	-	78,712
Portion due after one year:			
General obligation bonds payable	12,610,000	-	12,610,000
Revenue bonds payable	2,185,000	-	2,185,000
<b>Total liabilities</b>	<b>23,982,674</b>	<b>50,754</b>	<b>24,033,428</b>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net assets</b>			
Invested in capital assets, net of related debt	5,419,303	95,277	5,514,580
Restricted for:			
State categorical aid	12,930	-	12,930
Management levy	78,616	-	78,616
Physical plant and equipment levy	150,490	-	150,490
Other special revenue purposes	114,693	-	114,693
Local option sales tax capital projects	502,101	-	502,101
Debt service	243,435	-	243,435
Unrestricted	<u>(323,930)</u>	<u>1,329</u>	<u>(322,601)</u>
<b>Total net assets</b>	<u><u>6,197,638</u></u>	<u><u>96,606</u></u>	<u><u>6,294,244</u></u>

Adel Desoto Minburn Community School District

Statement of Activities

Year ended June 30, 2007

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular	5,252,459	753,266	676,577	-
Special	2,085,395	249,042	70,525	-
Other	976,870	285,345	88,692	-
	<u>8,314,724</u>	<u>1,287,653</u>	<u>835,794</u>	<u>-</u>
<b>Support services:</b>				
Student	344,458	-	-	-
Instructional staff	704,582	-	-	-
Administration	1,360,174	-	-	-
Operation and maintenance of plant	1,244,585	18,971	-	-
Transportation	529,680	8,619	6,777	-
	<u>4,183,479</u>	<u>27,590</u>	<u>6,777</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	538,381	-	-	94,005
Long-term debt interest	620,283	-	3,312	-
AEA flowthrough	441,043	-	441,043	-
Depreciation (unallocated)*	586,059	-	-	-
	<u>2,185,766</u>	<u>-</u>	<u>444,355</u>	<u>94,005</u>
<b>Total governmental activities</b>	<u>14,683,969</u>	<u>1,315,243</u>	<u>1,286,926</u>	<u>94,005</u>
<b>Business type activities:</b>				
<b>Non-instructional programs:</b>				
Food service operations	657,864	436,102	189,821	-
Daycare	24,928	30,956	-	-
<b>Total business type activities</b>	<u>682,792</u>	<u>467,058</u>	<u>189,821</u>	<u>-</u>
<b>Total</b>	<u>15,366,761</u>	<u>1,782,301</u>	<u>1,476,747</u>	<u>94,005</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
<b>Total general revenues</b>				
<b>Transfers</b>				
<b>Total general revenues and transfers</b>				

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(3,822,616)	-	(3,822,616)
(1,765,828)	-	(1,765,828)
(602,833)	-	(602,833)
<u>(6,191,277)</u>	<u>-</u>	<u>(6,191,277)</u>
(344,458)	-	(344,458)
(704,582)	-	(704,582)
(1,360,174)	-	(1,360,174)
(1,225,614)	-	(1,225,614)
(514,284)	-	(514,284)
<u>(4,149,112)</u>	<u>-</u>	<u>(4,149,112)</u>
(444,376)	-	(444,376)
(616,971)	-	(616,971)
-	-	-
(586,059)	-	(586,059)
<u>(1,647,406)</u>	<u>-</u>	<u>(1,647,406)</u>
<u>(11,987,795)</u>	<u>-</u>	<u>(11,987,795)</u>
-	(31,941)	(31,941)
-	6,028	6,028
<u>-</u>	<u>(25,913)</u>	<u>(25,913)</u>
<u>(11,987,795)</u>	<u>(25,913)</u>	<u>(12,013,708)</u>
3,839,493	-	3,839,493
505,341	-	505,341
90,291	-	90,291
1,302,920	-	1,302,920
5,949,305	-	5,949,305
43,620	1,198	44,818
32,429	-	32,429
<u>11,763,399</u>	<u>1,198</u>	<u>(249,111)</u>
<u>(62,605)</u>	<u>62,605</u>	<u>-</u>
11,700,794	63,803	(249,111)
(287,001)	37,890	(12,236,906)
<u>6,484,634</u>	<u>58,716</u>	<u>6,543,350</u>
<u><u>6,197,633</u></u>	<u><u>96,606</u></u>	<u><u>(5,693,556)</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2007

	General Fund	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	1,766,205	-	-	1,766,205
Other	827,792	760,139	531,227	2,119,158
Receivables:				
Property tax:				
Delinquent	35,030	-	10,018	45,048
Succeeding year	3,821,893	-	958,840	4,780,733
Accounts	5,312	23,000	1,327	29,639
Accrued interest - ISCAP	528	-	-	528
Interfund receivable	-	11,000	-	11,000
Due from other governments	164,208	219,140	350	383,698
<b>Total assets</b>	<b>6,620,968</b>	<b>1,013,279</b>	<b>1,501,762</b>	<b>9,136,009</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	13,663	248,142	2,183	263,988
Salaries and benefits payable	1,259,132	-	1,477	1,260,609
Due to other governments	54,719	-	2,296	57,015
ISCAP warrants payable	1,769,000	-	-	1,769,000
ISCAP accrued interest payable	435	-	-	435
ISCAP premium	13,126	-	-	13,126
Deferred revenue:				
Succeeding year property tax	3,821,893	-	958,840	4,780,733
Total liabilities	6,931,968	248,142	964,796	8,144,906
Fund balances:				
Reserved for:				
State categorical aid	12,930	-	-	12,930
Debt service	-	263,036	114,455	377,491
Unreserved reported in:				
General fund	(323,930)	-	-	(323,930)
Special revenue funds	-	-	422,511	422,511
Capital projects funds	-	502,101	-	502,101
Total fund balances	(311,000)	765,137	536,966	991,103
<b>Total liabilities and fund balances</b>	<b>6,620,968</b>	<b>1,013,279</b>	<b>1,501,762</b>	<b>9,136,009</b>

See notes to financial statements.

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2007

\$

<b>Total fund balances of governmental funds (Exhibit C)</b>	991,103
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***Amounts reported for governmental activities in the  
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	21,044,303
--	------------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(134,056)
--	-----------

Long-term liabilities, including bonds payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(15,703,712)</u>
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<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>6,197,638</u></u>
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## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2007

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,498,667	1,302,920	936,458	5,738,045
Tuition	909,651	-	-	909,651
Other	196,688	107,643	300,347	604,678
Intermediate sources	15,265	-	-	15,265
State sources	6,981,862	-	584	6,982,446
Federal sources	196,662	-	-	196,662
Total revenues	<u>11,798,795</u>	<u>1,410,563</u>	<u>1,237,389</u>	<u>14,446,747</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,976,731	178,835	223,649	5,379,215
Special	2,081,825	-	-	2,081,825
Other	696,145	-	281,513	977,658
	<u>7,754,701</u>	<u>178,835</u>	<u>505,162</u>	<u>8,438,698</u>
Support services:				
Student	341,827	2,631	-	344,458
Instructional staff	544,059	125,362	35,161	704,582
Administration	1,315,276	22,691	31,013	1,368,980
Operation and maintenance of plant	1,146,542	26,925	73,956	1,247,423
Transportation	428,734	-	145,023	573,757
	<u>3,776,438</u>	<u>177,609</u>	<u>285,153</u>	<u>4,239,200</u>
Other expenditures:				
Facilities acquisition	-	2,223,773	-	2,223,773
Long-term debt:				
Principal	-	-	490,000	490,000
Interest and fiscal charges	-	-	592,307	592,307
AEA flowthrough	441,043	-	-	441,043
	<u>441,043</u>	<u>2,223,773</u>	<u>1,082,307</u>	<u>3,747,123</u>
Total expenditures	<u>11,972,182</u>	<u>2,580,217</u>	<u>1,872,622</u>	<u>16,425,021</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(173,387)</u>	<u>(1,169,654)</u>	<u>(635,233)</u>	<u>(1,978,274)</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	24,863	-	-	24,863
Sales of materials and equipment	605	-	-	605
Operating transfers in	-	-	636,129	636,129
Operating transfers out	-	(698,734)	-	(698,734)
Total other financing sources (uses)	<u>25,468</u>	<u>(698,734)</u>	<u>636,129</u>	<u>(37,137)</u>
Net change in fund balances	(147,919)	(1,868,388)	896	(2,015,411)
Fund balances beginning of year	<u>(163,081)</u>	<u>2,633,525</u>	<u>536,070</u>	<u>3,006,514</u>
Fund balances end of year	<u>(311,000)</u>	<u>765,137</u>	<u>536,966</u>	<u>991,103</u>

See notes to financial statements.

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities

Year ended June 30, 2007

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(2,015,411)

**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. Capital outlay expenditures exceeded depreciation expense and loss on disposal of capital assets in the year as follows:

Loss on disposal of capital assets	(12,642)	
Expenditures for capital assets	1,887,727	
Depreciation expense	<u>(709,865)</u>	1,165,220

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		490,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		(27,976)
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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		<u>101,166</u>
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<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>(287,001)</u></u>
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## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	53,124
Accounts receivable	37
Due from other governments	1,077
Inventories	8,845
Capital assets, net of accumulated depreciation	<u>95,277</u>
<b>Total assets</b>	<u>158,360</u>
<b>Liabilities</b>	
Accounts payable	841
Salaries and benefits payable	40,616
Interfund payable	11,000
Deferred revenue	<u>9,297</u>
<b>Total liabilities</b>	<u>61,754</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	95,277
Unrestricted	<u>1,329</u>
<b>Total net assets</b>	<u><u>96,606</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>467,058</u>
Operating expenses:	
Salaries	263,362
Benefits	58,097
Purchased services	18,159
Supplies	324,551
Depreciation	15,882
Other	29
	<u>680,080</u>
Operating gain (loss)	<u>(213,022)</u>
Non-operating revenues:	
State sources	6,737
Federal sources	183,084
Interest income	1,198
Loss on disposal of equipment	<u>(2,712)</u>
Total non-operating revenues	<u>188,307</u>
Gain (loss) before transfers	(24,715)
Transfers in	<u>62,605</u>
Change in net assets	37,890
Net assets beginning of year	<u>58,716</u>
Net assets end of year	<u><u>96,606</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows form operating activities:	
Cash received from sale of lunches and breakfasts	434,885
Cash received from daycare services	32,141
Cash payments to employees for services	(320,598)
Cash payments to suppliers for goods or services	(318,090)
Net cash used by operating activities	<u>(171,662)</u>
Cash flows from non-capital financing activities:	
Repay loans from other funds	(22,689)
State grants received	6,737
Federal grants received	153,190
Net cash provided by non-capital financing activities	<u>137,238</u>
Cash flows from capital and related financing activities:	
Transfer from other funds	62,605
Acquisition of capital assets	(40,101)
Net cash used by capital and related financing activities	<u>22,504</u>
Cash flows from investing activities:	
Interest on investments	<u>1,198</u>
Net increase (decrease) in cash and cash equivalents	(10,722)
Cash and cash equivalents at beginning of year	<u>63,846</u>
Cash and cash equivalents at end of year	<u><u>53,124</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(213,022)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	29,894
Depreciation	15,882
Decrease (increase) in inventories	(3,192)
Decrease (increase) in accounts receivable	(909)
(Decrease) increase in accounts payable	(2,053)
(Decrease) increase in salaries and benefits payable	861
(Decrease) increase in deferred revenue	877
Net cash used in operating activities	<u><u>(171,662)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2007, the District received \$29,894 of federal commodities.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2007

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
<b>Assets</b>		
Cash and pooled investments	573	-
Due from other governments	<u>-</u>	<u>5,818</u>
<b>Total Assets</b>	573	5,818
<b>Liabilities</b>		
Due to other governments	<u>-</u>	<u>5,818</u>
<b>Net Assets</b>		
Reserved for scholarships	<u><u>573</u></u>	<u><u>-</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	4,400
Interest	<u>23</u>
Total additions	4,423
Deductions:	
Support services:	
Scholarships awarded	<u>4,900</u>
Change in net assets	(477)
Net assets beginning of year	<u>1,050</u>
Net assets end of year	<u><u>573</u></u>

# ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2007

### 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 predominately agricultural territory in portions of 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 Adel DeSoto Minburn Community School District has no component units that 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 does 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 County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets 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 Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* 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 assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 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.

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 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 instruction, support and other costs.

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

The District's proprietary funds include the Enterprise, School Nutrition Fund and the Daycare Fund. The School Nutrition Fund is used to account for the food service operations and the Daycare Fund is used to account for the District's child care program.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

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 measurement of results of operations.

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

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 judgements, 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 the 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 assets 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.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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 Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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, Liabilities and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in 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 deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	50,000
Improvements other than buildings	30,000
Furniture and equipment:	
School Nutrition Fund and Daycare Fund Equipment	300
Vehicles	3,500
Other furniture and equipment	3,500

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for

and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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 Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

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, 2007 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 insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had the following investments:

	Fair Value
	\$
Wells Fargo Advantage Government Money Market Fund	321,263

Credit risk: The investment in the money market mutual fund was rated Aaa by Moody's Investors Service.

**3. Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Nonmajor School Nutrition Fund	11,000

The General Fund loaned the School Nutrition Fund money for cash flow.

**4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Debt Service Fund	Capital Projects Fund	636,129
Nonmajor School Nutrition Fund	Capital Projects Fund	62,605

This transfer moved revenues from the fund statutorily required to collect the resources to the funds statutorily required to expend the resources.

**5. Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2007-08A	6/27/07	6/27/08	<u>1,766,205</u>	<u>528</u>	<u>1,769,000</u>	<u>435</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant

proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2007-08A	4.500	5.455

## 6. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	11,314,641	-	11,314,641	-
Land	669,715	-	-	669,715
Total capital assets not being depr.	<u>11,984,356</u>	<u>-</u>	<u>11,314,641</u>	<u>669,715</u>
Capital assets being depreciated:				
Buildings	11,671,455	12,909,694	-	24,581,149
Improvements other than buildings	1,098,673	90,339	-	1,189,012
Furniture and equipment	1,416,529	202,335	46,850	1,572,014
Total capital assets being deprec.	<u>14,186,657</u>	<u>13,202,368</u>	<u>46,850</u>	<u>27,342,175</u>
Less accumulated depreciation for:				
Buildings	4,715,336	526,609	-	5,241,945
Improvements other than buildings	509,729	59,450	-	569,179
Furniture and equipment	1,066,865	123,806	34,208	1,156,463
Total accumulated depreciation	<u>6,291,930</u>	<u>709,865</u>	<u>34,208</u>	<u>6,967,587</u>
Total capital assets being depreciated, net	<u>7,894,727</u>	<u>12,492,503</u>	<u>12,642</u>	<u>20,374,588</u>
Governmental activities capital assets, net	<u>19,879,083</u>	<u>12,492,503</u>	<u>11,327,283</u>	<u>21,044,303</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	259,334	10,157	7,581	261,910
Less accumulated depreciation	<u>155,620</u>	<u>15,882</u>	<u>4,869</u>	<u>166,633</u>
Business type activities capital assets, net	<u>103,714</u>	<u>(5,725)</u>	<u>2,712</u>	<u>95,277</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
<b>Governmental activities:</b>	
Instruction:	
Regular	15,249
Special	3,570
Other	3,079
Support services:	
Administration services	2,202
Operation and maintenance of plant services	12,021
Transportation	<u>87,685</u>
	123,806
Unallocated depreciation	<u>586,059</u>
Total depreciation expense – governmental activities	<u>709,865</u>
<b>Business type activities:</b>	
Food services	15,442
Daycare services	<u>440</u>
Total depreciation – business type activities	<u>15,882</u>

## 7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	13,610,000	-	490,000	13,120,000	510,000
Local option sales and services tax revenue bonds	2,505,000	-	-	2,505,000	320,000
Termination benefits	<u>179,883</u>	<u>78,712</u>	<u>179,883</u>	<u>78,712</u>	<u>78,712</u>
Total	<u>16,294,883</u>	<u>78,712</u>	<u>669,883</u>	<u>15,703,712</u>	<u>398,712</u>

Termination Benefits

The District offers a voluntary early retirement plan to its certified and classified employees. Eligible employees must have completed at least ten years of continuous service to the District and must have reached the age of fifty-five. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 44% of the employee's year of application salary.

Early retirement benefits will be paid in September following the start of retirement.

At June 30, 2007, the District has obligations to four participants with a total liability of \$78,712. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$179,883.

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of January, 1990			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	6.80	35,000	4,420	39,420
2009	6.80	30,000	2,040	32,040
Total		65,000	6,460	71,460

Year Ending June 30,	Bond Issue of October 2002			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	2.85	400,000	20,245	420,245
2009	3.05	290,000	8,845	298,845
Total		690,000	29,090	719,090

Year Ending June 30,	Bond Issue of October 2003			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	2.75	75,000	128,703	203,703
2009	3.00	160,000	126,640	286,640
2010	3.25	170,000	121,840	291,840
2011	3.50	170,000	116,315	286,315
2012	4.00	180,000	110,365	290,365
2013	4.00	185,000	103,165	288,165
2014	3.65	190,000	95,765	285,765
2015	3.80	200,000	88,830	288,830
2016	3.90	205,000	81,230	286,230
2017	4.00	215,000	73,235	288,235
2018	4.10	225,000	64,635	289,635
2019	4.15	235,000	55,410	290,410
2020	4.25	250,000	45,658	295,658
2021	4.30	255,000	35,032	290,032
2022	4.35	265,000	24,068	289,068
2023	4.40	285,000	12,540	297,540
Total		3,265,000	1,283,431	4,548,431

Bond Issue of October 2004				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008		-	312,758	312,758
2009		-	312,757	312,757
2010	3.00	410,000	312,757	722,757
2011	3.00	430,000	300,457	730,457
2012	3.25	435,000	287,557	722,557
2013	3.30	450,000	273,420	723,420
2014	3.40	470,000	258,570	728,570
2015	3.55	480,000	242,590	722,590
2016	3.65	500,000	225,550	725,550
2017	3.80	520,000	207,300	727,300
2018	3.90	535,000	187,540	722,540
2019	4.00	560,000	166,675	726,675
2020	4.10	575,000	144,275	719,275
2021	4.15	600,000	120,700	720,700
2022	4.20	625,000	95,800	720,800
2023	4.25	650,000	69,550	719,550
2024	4.30	975,000	41,925	1,016,925
Total		8,215,000	3,560,181	11,775,181

Bond Issue of April 2006				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	-	-	37,613	37,613
2009	-	-	37,613	37,613
2010	-	-	37,613	37,613
2011	-	-	37,613	37,613
2012	-	-	37,613	37,613
2013	-	-	37,613	37,613
2014	-	-	37,613	37,613
2015	-	-	37,613	37,613
2016	-	-	37,613	37,613
2017	-	-	37,613	37,613
2018	-	-	37,613	37,613
2019	-	-	37,613	37,613
2020	-	-	37,613	37,613
2021	-	-	37,613	37,613
2022	-	-	37,613	37,613
2023	-	-	37,613	37,613
2024	-	-	37,613	37,613
2025	4.25	885,000	37,613	922,613
Total		885,000	677,034	1,562,034

Revenue Bonds Payable

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 2006			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	4.0	320,000	100,200	420,200
2009	4.0	330,000	87,400	417,400
2010	4.0	340,000	74,200	414,200
2011	4.0	355,000	60,600	415,600
2012	4.0	370,000	46,400	416,400
2013-2014	4.0	790,000	47,800	837,800
Total		<u>2,505,000</u>	<u>416,600</u>	<u>2,921,600</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the local option sales and service tax revenues received by the District, and the bond holders hold a lien on the future revenues received.
- Sufficient monthly deposits shall be made to the debt service sinking account for the purpose of making the bond principal and interest payments when due. The sinking fund is part of the Debt Service Fund.
- Separate bond reserve funds will be maintained in the minimum amount of \$250,500 to be solely for the purpose of paying principal and interest in the event the District does not have sufficient local option sales and services tax revenue for that purpose. The reserve fund is part of the Capital Projects Fund.

## 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$462,983, \$439,799, and \$426,504 respectively, equal to the required contributions for each year.

## 9. 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.

#### **10. 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 \$441,043 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **11. Construction Commitment**

The District has entered into a \$52,600 contract for building demolition. Work on the project started after June 30, 2007.

#### **12. Deficit Fund Balances**

At June 30, 2007 the District had a General Fund deficit unreserved fund balance of \$323,930 and the Enterprise School Nutrition Fund had a deficit unrestricted net assets of \$47,816.

REQUIRED SUPPLEMENTARY INFORMATION

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	7,252,374	468,256	7,720,630	7,379,636	7,379,636	340,994
Intermediate sources	15,265	-	15,265	-	-	15,265
State sources	6,982,446	6,737	6,989,183	6,895,775	6,895,775	93,408
Federal sources	196,662	183,084	379,746	322,100	322,100	57,646
Total revenues	<u>14,446,747</u>	<u>658,077</u>	<u>15,104,824</u>	<u>14,597,511</u>	<u>14,597,511</u>	<u>507,313</u>
Expenditures:						
Instruction	8,438,698	-	8,438,698	8,390,839	8,800,000	361,302
Support services	4,239,200	59,994	4,299,194	3,585,511	4,700,000	400,806
Non-instructional programs	-	622,798	622,798	663,500	750,000	127,202
Other expenditures	3,747,123	-	3,747,123	2,572,901	4,500,000	752,877
Total expenditures	<u>16,425,021</u>	<u>682,792</u>	<u>17,107,813</u>	<u>15,212,751</u>	<u>18,750,000</u>	<u>1,642,187</u>
Excess (deficiency) of revenues over (under) expenditures	(1,978,274)	(24,715)	(2,002,989)	(615,240)	(4,152,489)	2,149,500
Other financing sources (uses) net	<u>(37,137)</u>	<u>62,605</u>	<u>25,468</u>	<u>-</u>	<u>-</u>	<u>25,468</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(2,015,411)	37,890	(1,977,521)	(615,240)	(4,152,489)	2,174,968
Balance beginning of year	<u>3,006,514</u>	<u>58,716</u>	<u>3,065,230</u>	<u>845,412</u>	<u>3,065,230</u>	<u>-</u>
Balance end of year	<u>991,103</u>	<u>96,606</u>	<u>1,087,709</u>	<u>230,172</u>	<u>(1,087,259)</u>	<u>2,174,968</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$3,537,249.

OTHER SUPPLEMENTARY INFORMATION

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds				Total \$
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$	
Cash and pooled investments	155,906	115,197	151,233	108,891	531,227
Receivables:					
Property tax:					
Delinquent	3,468	-	986	5,564	10,018
Succeeding year	343,054	-	93,097	522,689	958,840
Accounts	-	1,327	-	-	1,327
Due from other governments	-	350	-	-	350
<b>Total assets</b>	<b>502,428</b>	<b>116,874</b>	<b>245,316</b>	<b>637,144</b>	<b>1,501,762</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	-	454	1,729	-	2,183
Salaries and benefits payable	-	1,477	-	-	1,477
Due to other governments	2,046	250	-	-	2,296
Deferred revenue:					
Succeeding year property tax	343,054	-	93,097	522,689	958,840
Total liabilities	345,100	2,181	94,826	522,689	964,796
Fund balances:					
Reserved for debt service	-	-	-	114,455	114,455
Unreserved reported in:					
Special revenue funds	157,328	114,693	150,490	-	422,511
Total fund balances	157,328	114,693	150,490	114,455	536,966
<b>Total liabilities and fund balances</b>	<b>502,428</b>	<b>116,874</b>	<b>245,316</b>	<b>637,144</b>	<b>1,501,762</b>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2007

	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity Fund	Plant and Equipment Levy	Service	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	340,826	-	90,291	505,341	936,458
Other	14,479	277,899	4,657	3,312	300,347
State sources	218	-	55	311	584
Total revenues	<u>355,523</u>	<u>277,899</u>	<u>95,003</u>	<u>508,964</u>	<u>1,237,389</u>
Expenditures:					
Current:					
Instruction:					
Regular	223,649	-	-	-	223,649
Other	-	281,513	-	-	281,513
Support services:					
Instructional staff	-	365	34,796	-	35,161
Administration	24,236	224	6,553	-	31,013
Operation and maintenance of plant	66,883	7,073	-	-	73,956
Transportation	13,261	-	131,762	-	145,023
Other expenditures:					
Long-term debt:					
Principal	-	-	-	490,000	490,000
Interest and fiscal charges	-	-	-	592,307	592,307
Total expenditures	<u>328,029</u>	<u>289,175</u>	<u>173,111</u>	<u>1,082,307</u>	<u>1,872,622</u>
Excess (deficiency) of revenues over (under) expenditures	27,494	(11,276)	(78,108)	(573,343)	(635,233)
Other financing sources (uses):					
Operating transfers in	-	-	-	636,129	636,129
Net change in fund balances	27,494	(11,276)	(78,108)	62,786	896
Fund balances beginning of year	<u>129,834</u>	<u>125,969</u>	<u>228,598</u>	<u>51,669</u>	<u>536,070</u>
Fund balances end of year	<u><u>157,328</u></u>	<u><u>114,693</u></u>	<u><u>150,490</u></u>	<u><u>114,455</u></u>	<u><u>536,966</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2007

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Daycare	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	1,179	51,945	53,124
Accounts receivable	37	-	37
Due from other governments	1,077	-	1,077
Inventories	8,845	-	8,845
Capital assets, net of accumulated depreciation	94,379	898	95,277
<b>Total assets</b>	<u>105,517</u>	<u>52,843</u>	<u>158,360</u>
<b>Liabilities</b>			
Accounts payable	841	-	841
Salaries and benefits payable	38,826	1,790	40,616
Interfund payable	11,000	-	11,000
Deferred revenue	8,287	1,010	9,297
<b>Total liabilities</b>	<u>58,954</u>	<u>2,800</u>	<u>61,754</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	94,379	898	95,277
Unrestricted	(47,816)	49,145	1,329
<b>Total net assets</b>	<u>46,563</u>	<u>50,043</u>	<u>96,606</u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets  
Nonmajor Enterprise Funds

Year ended June 30, 2007

	<u>Nonmajor Enterprise Funds</u>		
	<u>School</u>		<u>Total</u>
	<u>Nutrition</u>	<u>Daycare</u>	<u>\$</u>
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	436,102	30,956	467,058
Operating expenses:			
Salaries	250,200	13,162	263,362
Benefits	56,324	1,773	58,097
Purchased services	9,559	8,600	18,159
Supplies	323,598	953	324,551
Depreciation	15,442	440	15,882
Other	29	-	29
	<u>655,152</u>	<u>24,928</u>	<u>680,080</u>
Operating gain (loss)	<u>(219,050)</u>	<u>6,028</u>	<u>(213,022)</u>
Non-operating revenue (expenses):			
State sources	6,737	-	6,737
Federal sources	183,084	-	183,084
Interest income	166	1,032	1,198
Loss on disposal of equipment	(2,712)	-	(2,712)
Total non-operating revenue	<u>187,275</u>	<u>1,032</u>	<u>188,307</u>
Gain (loss) before transfers	(31,775)	7,060	(24,715)
Transfers in	<u>62,605</u>	<u>-</u>	<u>62,605</u>
Change in net assets	30,830	7,060	37,890
Net assets beginning of year	<u>15,733</u>	<u>42,983</u>	<u>58,716</u>
Net assets end of year	<u><u>46,563</u></u>	<u><u>50,043</u></u>	<u><u>96,606</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2007

	Nonmajor Enterprise Funds		
	School		Total
	Nutrition	Daycare	
	\$	\$	\$
Cash flows form operating activities:			
Cash received from sale of lunches and breakfasts	434,885	-	434,885
Cash received from daycare services	-	32,141	32,141
Cash payments to employees for services	(305,575)	(15,023)	(320,598)
Cash payments to suppliers for goods or services	(308,537)	(9,553)	(318,090)
Net cash used by operating activities	<u>(179,227)</u>	<u>7,565</u>	<u>(171,662)</u>
Cash flows from non-capital financing activities:			
Repay loans from other funds	(22,689)	-	(22,689)
State grants received	6,737	-	6,737
Federal grants received	153,190	-	153,190
Net cash provided by non-capital financing activities	<u>137,238</u>	<u>-</u>	<u>137,238</u>
Cash flows from capital and related financing activities:			
Transfer from other funds	62,605	-	62,605
Acquisition of capital assets	(40,101)	-	(40,101)
Net cash used by capital and related financing activities	<u>22,504</u>	<u>-</u>	<u>22,504</u>
Cash flows from investing activities:			
Interest on investments	<u>166</u>	<u>1,032</u>	<u>1,198</u>
Net increase (decrease) in cash and cash equivalents	(19,319)	8,597	(10,722)
Cash and cash equivalents at beginning of year	<u>20,498</u>	<u>43,348</u>	<u>63,846</u>
Cash and cash equivalents at end of year	<u>1,179</u>	<u>51,945</u>	<u>53,124</u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>			
Operating gain (loss)	(219,050)	6,028	(213,022)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	29,894	-	29,894
Depreciation	15,442	440	15,882
Decrease (increase) in inventories	(3,192)	-	(3,192)
Decrease (increase) in accounts receivable	(1,084)	175	(909)
(Decrease) increase in accounts payable	(2,053)	-	(2,053)
(Decrease) increase in salaries and benefits payable	949	(88)	861
(Decrease) increase in deferred revenue	(133)	1,010	877
Net cash used in operating activities	<u>(179,227)</u>	<u>7,565</u>	<u>(171,662)</u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
<b><u>HIGH SCHOOL</u></b>					
Interest	6,241	2,913	-	-	9,154
Cross country	-	3,212	3,411	(165)	(364)
Golf	4,382	8,471	12,577	4,097	4,373
Weight	-	2,150	36,109	33,959	-
Boys basketball	1,033	19,693	16,397	(3,369)	960
Football	2,506	45,191	42,803	(7,875)	(2,981)
Boys soccer	2,710	7,105	3,112	(2,757)	3,946
Baseball	253	14,277	16,590	2,748	688
Boys track	2,565	9,939	13,039	3,290	2,755
Wrestling	2,067	6,193	3,543	(1,332)	3,385
Girls basketball	556	9,706	7,272	(2,499)	491
Volleyball	8	3,824	4,502	670	-
Girls soccer	2,634	7,857	7,739	(3,381)	(629)
Softball	(821)	10,927	6,323	(2,683)	1,100
Girls track	308	3,051	3,347	226	238
Athletics	76,145	9,700	-	(20,829)	65,016
Button club	63	-	-	-	63
Class of 2006	989	-	-	-	989
Class of 2007	2,221	-	527	-	1,694
Class of 2008	-	6,755	5,875	-	880
High school prom	-	3,500	700	-	2,800
Special events	(792)	47,537	46,630	-	115
Drama	5,659	3,939	4,054	-	5,544
Speech contest	1,002	-	-	-	1,002
French club	1,304	-	-	-	1,304
National Honor Society	-	888	673	-	215
Danz team	3,168	4,152	3,982	(2,035)	1,303
SADD	1,908	350	1,170	-	1,088
Thespian club	673	3,169	3,036	-	806
Student council	332	1,404	944	-	792
TSA	16	2,668	2,002	-	682
Yearbook	2,662	22,555	22,784	-	2,433
Cheerleading	127	3,020	2,999	(71)	77

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

MIDDLE SCHOOL

8-9 Student Council	-	1,624	2,232	1,970	1,362
Cross country	-	183	173	-	10
Boys basketball	-	1,133	1,720	587	-
Football	-	978	750	(228)	-
Baseball	(53)	-	1,340	1,334	(59)
Boys track	-	1,707	611	(1,096)	-
Wrestling	-	445	649	(225)	(429)
Girls basketball	-	1,997	2,353	390	34
Volleyball	-	903	1,803	900	-
Softball	-	314	905	591	-
Girls track	-	748	501	(247)	-
6-7 student council	5,970	3,365	3,937	(1,970)	3,428
DeSoto student council	133	356	61	-	428
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total		<u>125,969</u>	<u>277,899</u>	<u>          </u>	<u>114,693</u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
<b>Assets</b>				
Cash	-	66,266	66,266	-
Due form other governments	-	5,818	-	5,818
	<u>-</u>	<u>72,084</u>	<u>66,266</u>	<u>5,818</u>
<b>Liabilities</b>				
Accounts payable	-	48,848	48,848	-
Due to other governments	-	23,236	29,054	(5,818)
	<u>-</u>	<u>72,084</u>	<u>77,902</u>	<u>(5,818)</u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Fund Types

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	5,738,045	5,193,904	4,917,068	4,113,812
Tuition	909,651	876,667	900,135	804,321
Other	604,678	681,128	641,454	400,666
Intermediate sources	15,265	-	-	-
State sources	6,982,446	6,622,221	6,207,251	5,953,621
Federal sources	196,662	636,774	184,708	172,597
<b>Total revenues</b>	<b>14,446,747</b>	<b>14,010,694</b>	<b>12,850,616</b>	<b>11,445,017</b>
Expenditures:				
Instruction:				
Regular	5,379,215	5,034,519	4,963,537	4,727,184
Special	2,081,825	2,001,882	1,890,295	1,755,910
Other	977,658	1,027,035	986,843	758,781
Support services:				
Student	344,458	303,146	307,132	276,733
Instructional staff	704,582	521,458	381,207	361,792
Administration	1,368,980	1,157,743	977,035	1,105,034
Operation and maintenance of plant	1,247,423	1,121,868	1,039,748	972,766
Transportation	573,757	554,551	516,087	451,489
Non-instructional programs	-	-	-	5,125
Other expenditures:				
Facilities acquisition	2,223,773	9,437,295	4,194,736	1,008,414
Long-term debt:				
Principal	490,000	475,000	400,000	395,000
Interest and other charges	592,307	555,362	556,869	65,134
AEA flowthrough	441,043	409,437	389,902	392,113
<b>Total expenditures</b>	<b>16,425,021</b>	<b>22,599,296</b>	<b>16,603,391</b>	<b>12,275,475</b>

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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  
Adel DeSoto Minburn Community School District:

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 as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 17, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adel DeSoto Minburn Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Adel DeSoto Minburn Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Adel DeSoto Minburn Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Adel DeSoto Minburn Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Adel DeSoto Minburn Community School District's financial statements that is more than inconsequential will not be prevented or detected by Adel DeSoto Minburn Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Adel DeSoto Minburn Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-I-A is a material weakness.

#### 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 an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 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 identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Adel DeSoto Minburn Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Adel DeSoto Minburn Community School District and other parties to whom Adel DeSoto Minburn Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

January 17, 2008

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

07-I-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of cash disbursements to the cash disbursements journal and the preparing and distributing of checks were performed by the same person. The posting of the cash receipts and the bank deposits were done by the same person and bank reconciliations were performed by a person who was also authorized to sign checks. Also, one individual is responsible for preparing and posting general journal entries.

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

Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

- 07-II-A Certified Budget: Expenditures for the year ended June 30, 2007, did not exceed the amounts budgeted.
- 07-II-B Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 07-II-C Travel Expenses: 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.
- 07-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 07-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 07-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 07-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 07-II-H Deposits and Investments: No instances of noncompliance 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.
- 07-II-I Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 07-II-J Deficit Balances: The District has a \$323,930 deficit unreserved fund balance in the General Fund and the School Nutrition Fund has a deficit unrestricted net assets balance of \$47,816 at June 30, 2007.

Recommendation: The District should investigate alternatives to eliminate these deficits.

District Response: The Board is aware of the condition and is working on restoring the District to a sound financial condition. We have made budget cuts and implemented a cash reserve levy for fiscal year 2008.

Conclusion: Response accepted.