

ADEL DESOTO MINBURN COMMUNITY SCHOOL
DISTRICT

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

June 30, 2008

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balance	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	24
Statement of Cash Flows	I	25
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	26
Statement of Changes in Fiduciary Net Assets	K	27
Notes to Financial Statements		28-38
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		40
Notes to Required Supplementary Information - Budgetary Reporting		41
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	44
Nonmajor Enterprise Funds:		
Combining Schedule of Net Assets	3	45
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets	4	46
Combining Schedule of Cash Flows	5	47
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	48
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	7	49
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	8	50
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		51-52
Schedule of Findings and Responses		53-54

BURTON E. TRACY & CO., P.C.

Certified Public Accountants

Gary E. Horton CPA

PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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, 2008, 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, 2008, 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 9, 2009 on our consideration of Adel DeSoto Minburn Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 40 through 41 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 required 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the years ended June 30, 2006 and 2005, (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 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues increased from \$11,798,795 in fiscal 2007 to \$12,746,929 in fiscal 2008, while General Fund expenditures increased from \$11,972,182 in fiscal 2007 to \$12,521,410 in fiscal 2008. The District's General Fund balance increased from (\$311,000) in fiscal 2007 to (\$79,948) in fiscal 2008, a 74.3% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and state grant revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits and an increase in operation and maintenance of plant.
- The District has experienced flat enrollment growth for five years, putting pressure on the operating budget. Cash reserves were used until FY07 when budget cuts were made mid-year to reduce deficit spending. A balanced budget for FY08 and preserving a cash reserve levy of \$216,287 to begin to replenish reserves helped the district to improve its financial position for FY08.
- 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. The District will use excess sales tax proceeds to upgrade indoor and outdoor facilities.

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.

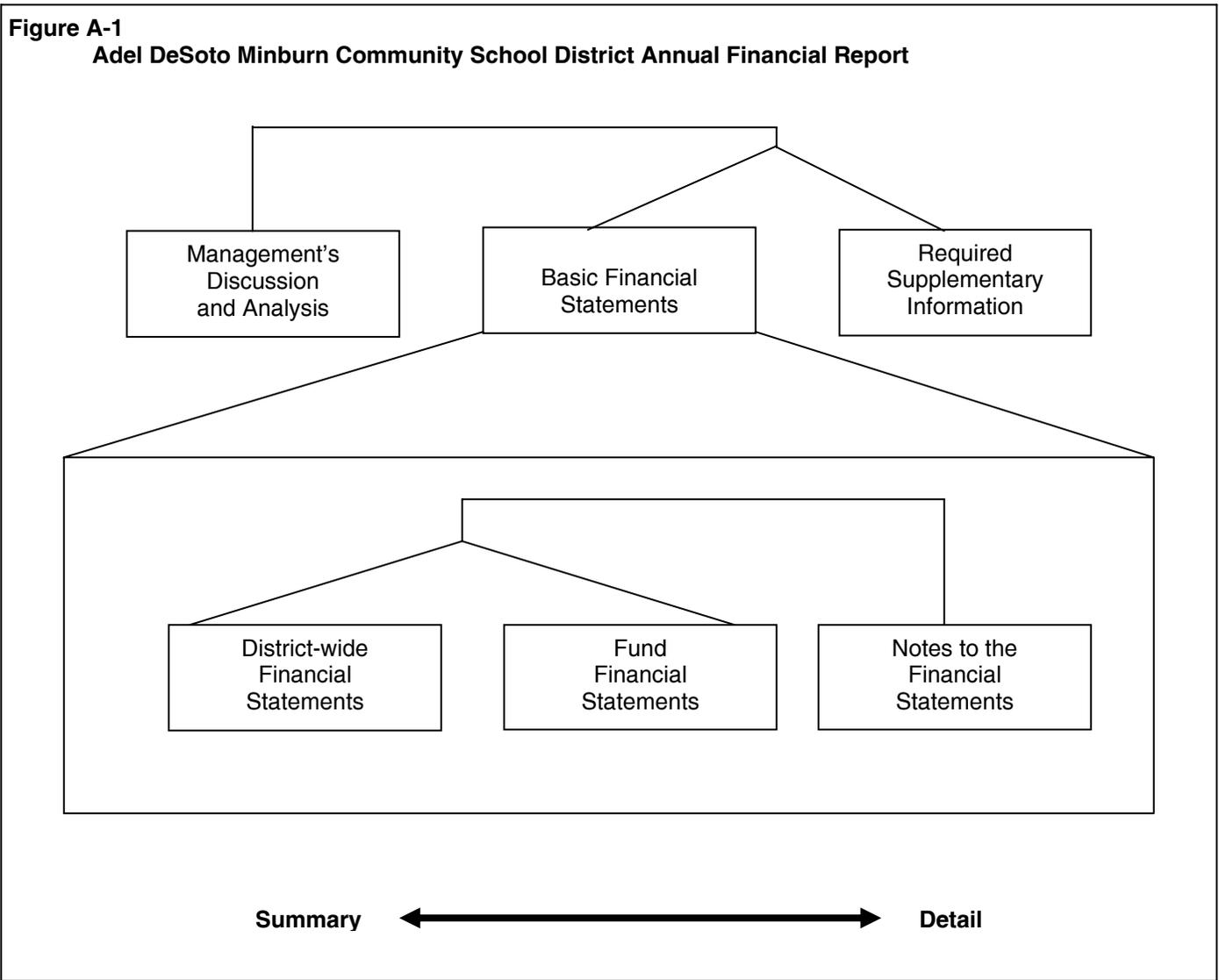


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents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

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

	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"> ▣ Statement of net assets ▣ Statement of Activities 	<ul style="list-style-type: none"> ▣ Balance sheet ▣ Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> ▣ Statement of net assets ▣ Statement of revenues, expenses and changes in net assets ▣ Statement of cash flows 	<ul style="list-style-type: none"> ▣ Statement of fiduciary net assets ▣ Statement of changes in fiduciary net assets
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, 2008 compared to 2007.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-2008
Current and other assets	\$10,477	\$9,136	\$ 86	\$ 52	\$10,563	\$ 9,188	15.0%
Capital assets	20,474	21,044	85	95	20,559	21,139	-2.7%
Total assets	<u>30,951</u>	<u>30,180</u>	<u>171</u>	<u>147</u>	<u>31,122</u>	<u>30,327</u>	<u>2.6%</u>
Long-term obligations	14,945	15,704	-0-	-0-	14,945	15,704	-4.8%
Other liabilities	9,225	8,278	49	51	9,274	8,329	11.3%
Total liabilities	<u>24,170</u>	<u>23,982</u>	<u>49</u>	<u>51</u>	<u>24,219</u>	<u>24,033</u>	<u>0.8%</u>
Net assets:							
Invested in capital assets, net of related debt	5,679	5,419	85	95	5,764	5,514	4.5%
Restricted	1,213	1,103	-0-	-0-	1,213	1,103	10.0%
Unrestricted	<u>(111)</u>	<u>(324)</u>	<u>37</u>	<u>1</u>	<u>(74)</u>	<u>(323)</u>	<u>77.1%</u>
Total net assets	<u>\$6,781</u>	<u>\$6,198</u>	<u>\$ 122</u>	<u>\$ 96</u>	<u>\$ 6,903</u>	<u>\$ 6,294</u>	<u>9.7%</u>

The District’s improved financial position in regard to net assets is the product of many factors. Capital assets decreased due to the demolition of the Vintage Primary building and disposals of old furniture and equipment. Current assets increased because of accounts receivable of succeeding year property taxes and ISCAP 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 for both series A and B.

The restricted net assets increase can be attributed primarily to the balances reserved for the Management Fund and Debt Service fund that offset reductions in most other reserved balances.

Unrestricted net assets increased due to a cash reserve levy that was preserved through budget cuts.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to 2007.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-2008
Revenues:							
Program revenues:							
Charges for service and sales	\$1,503	\$1,315	\$ 539	\$ 467	\$ 2,042	\$ 1,782	14.6 %
Operating grants, contributions and restricted interest	1,452	1,287	207	190	1,659	1,477	12.3%
Capital grants, contributions and restricted interest	8	94	-0-	-0-	8	94	-91.5%
General revenues:							
Property Tax	4,813	4,435	-0-	-0-	4,813	4,435	8.5%
SILO and mobile home taxes	1,325	1,303	-0-	-0-	1,325	1,303	1.7%
Unrestricted state grants	6,111	5,949	-0-	-0-	6,111	5,949	2.7%
Unrestricted investment earnings	164	44	2	1	166	45	268.9%
Other	82	32	-0-	-0-	82	32	156.3%
Transfers	-0-	(62)	-0-	62	-0-	-0-	0%
Total revenues and transfers	<u>15,458</u>	<u>14,397</u>	<u>748</u>	<u>720</u>	<u>16,206</u>	<u>15,117</u>	<u>7.2%</u>
Program expenses:							
Governmental activities:							
Instruction	8,498	8,315	-0-	-0-	8,498	8,315	2.2%
Support services	4,423	4,183	-0-	-0-	4,423	4,183	5.7%
Non-instructional programs	0	0	723	682	723	682	6.0%
Other expenses	1,954	2,186	-0-	-0-	1,954	2,186	10.6%
Total expenses	<u>14,875</u>	<u>14,684</u>	<u>723</u>	<u>682</u>	<u>15,598</u>	<u>15,366</u>	<u>1.5%</u>
Change in net assets	\$ 583	(\$287)	\$ 25	\$ 38	\$608	(\$249)	344.2%

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 83% of total expenses. The increase in net assets is tied to increases in revenues, operating a balanced budget, and levying a cash reserve to replenish reserves.

Governmental Activities

Revenues and transfers for governmental activities were \$15,458,052 and expenses were \$14,875,114. Enrollment was flat again this year, about a two student decrease 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	\$ 8,498	\$ 6,052
Support Services	4,423	4,388
Non Instruction programs	0	0
Other expenses	1,954	1,473
Totals	\$ 14,875	\$ 11,913

- The cost financed by users of the District’s programs was \$1,502,660.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,459,866.
- The net cost of governmental activities was financed with \$4,813,140 in property tax, \$1,325,430 in SILO and mobile home taxes, \$6,111,250 in state foundation aid, \$163,920 in interest income, and \$81,786 in other income.

Business Type Activities

Revenues and transfers of the District’s business-type activities were \$747,585 and expenses were \$722,518. 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.

Increases in meal prices were made for fiscal 2008. School Nutrition Fund gained ground due to successive increases in lunch prices to cover increases in expenditures in operations, resulting in an increase in net assets. Another increase in lunch prices will be instituted for fiscal 2009. 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 \$1,376,446, an increase compared to last year’s ending fund balances of \$991,103.

Governmental Fund Highlights

- The District’s improved 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. Budget cuts were employed to produce a balanced budget and a cash reserve was levied to help replenish reserves.
- The General Fund balance increased from (\$311,000) to (\$79,948) because the District was able to trim expenditures. Even though the negotiated salary and benefit settlements increased 4.8% for certified staff, 4.0% for classified staff, and 3.9% for administrators and plant operating expenses increased, budget cuts and increased revenues offset costs.
- The Management Fund balance increased from \$157,328 to \$288,353 because the levy was adequate to offset property and casualty insurance premiums increases and early retirements increases.

- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$150,490 to \$131,269. SILO receipts have allowed preservation of some of the PPEL fund balance to be used for buying computers and busses. The voted PPEL levy expired June 30, 2005.
- The Capital Projects Fund balance decreased from \$765,137 to \$664,053 because of final payments to contractors for construction projects and expenditures to improve indoor and outdoor facilities.

Proprietary Fund Highlights

- The School Nutrition Fund net assets increased from \$46,536 at June 30, 2007, to \$49,952 at June 30, 2008, representing an increase of approximately 7 percent. While participation is constant, enrollment has had little growth; even so, revenues are now increasing to cover increases for expenditures. The increase in net assets was due to increased revenues from lunch prices and higher federal reimbursement rates.
- The Day Care Fund net assets increased from \$50,043 at June 30, 2007, to \$71,721 at June 30, 2008, representing an increase of approximately 43%. Increased participation has 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 and noninstructional programs. 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 \$702,091 more than the total budgeted receipts, a variance of 4.3%. 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. Expenditures exceeded the certified budget in the support services area by \$89,357 due to posting ISCAP entries and unexpected repairs and maintenance expenditures.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the District had invested \$20.6 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 decrease of 2.7 percent from last year. More detailed information is available in Note 5 to the financial statements. Depreciation expense for the year was \$714,301.

The original cost of the District's capital assets was \$28.21 million. Governmental funds account for \$27.96 million with the remainder of \$0.25 million in the Proprietary, School Nutrition Fund and Day Care Fund.

The largest change in capital asset activity during the year occurred in the depreciation of new buildings and disposal of obsolete equipment.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-2008
Land	\$ 670	670	\$ -0-	-0-	\$ 670	670	0.0%
Buildings	18,819	19,339	-0-	-0-	18,819	19,339	-2.7%
Improvements other than buildings	621	620	-0-	-0-	621	620	0.2%
Furniture and equipment	364	415	85	95	449	510	-12.0%
Totals	\$ 20,474	21,044	\$ 85	95	\$ 20,559	21,139	-2.7%

Long-Term Debt

At June 30, 2008, the District had \$14,944,664 in outstanding general obligation bond debt and other long-term debt. This represents a decrease of approximately 4.8 percent from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 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. More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

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

	Total School District		Total Change
	2008	2007	2007-2008
General obligation bonds	\$ 12,610	\$ 13,120	-3.9%
Revenue bonds	2,185	2,505	-12.8%
Early retirement	150	79	89.9%
Totals	\$ 14,945	\$ 15,704	-4.8%

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 were expected to lead to enrollment increases on a steady basis in future years. Over the last twenty years, the District had experienced an average increase of just under 2% annually. However, the District no longer expects growth; it will be flat, at best, and may decline.
- The District's declining financial position spurred budget 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 levied a cash reserve of \$395,918 for fiscal 2009. The District is committed to balanced budgets and positive solvency ratios in future years.
- The District will negotiate a new agreement during fiscal 2009 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". Additional Iowa legislation has mandated implementation of the "Iowa Core Curriculum" by 2012 for grades 9-12 and by 2014 for grades K-8. 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, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	2,439,735	-	2,439,735
Other	2,211,227	73,880	2,285,107
Receivables:			
Property tax:			
Delinquent	53,602	-	53,602
Succeeding year	5,342,428	-	5,342,428
Accounts	28,902	60	28,962
Accrued interest ISCAP	18,839	-	18,839
Due from other governments	382,288	296	382,584
Inventories	-	12,163	12,163
Capital assets, net of accumulated depreciation	20,473,810	84,751	20,558,561
Total assets	30,950,831	171,150	31,121,981
Liabilities			
Accounts payable	34,949	152	35,101
Salaries and benefits payable	1,182,487	40,448	1,222,935
Due to other governments	67,150	-	67,150
Accrued interest payable	125,016	-	125,016
Deferred revenue:			
Succeeding year property tax	5,342,428	-	5,342,428
Other	-	8,877	8,877
ISCAP warrants payable	2,426,000	-	2,426,000
ISCAP accrued interest payable	20,369	-	20,369
ISCAP premium	27,192	-	27,192
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	480,000	-	480,000
Revenue bonds payable	330,000	-	330,000
Termination benefits	149,664	-	149,664
Portion due after one year:			
General obligation bonds payable	12,130,000	-	12,130,000
Revenue bonds payable	1,855,000	-	1,855,000
Total liabilities	24,170,255	49,477	24,219,732

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	5,678,810	84,751	5,763,561
Restricted for:			
State categorical aid	31,013	-	31,013
Management levy	138,689	-	138,689
Physical plant and equipment levy	131,269	-	131,269
Other special revenue purposes	94,496	-	94,496
Local option sales tax capital projects	390,641	-	390,641
Debt service	426,619	-	426,619
Unrestricted	<u>(110,961)</u>	<u>36,922</u>	<u>(74,039)</u>
Total net assets	<u><u>6,780,576</u></u>	<u><u>121,673</u></u>	<u><u>6,902,249</u></u>

Adel Desoto Minburn Community School District

Statement of Activities

Year ended June 30, 2008

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	5,520,610	896,015	799,164	-
Special	1,916,106	288,608	79,747	-
Other	1,061,204	290,796	91,791	-
	<u>8,497,920</u>	<u>1,475,419</u>	<u>970,702</u>	<u>-</u>
Support services:				
Student	298,198	-	-	-
Instructional staff	598,267	-	-	-
Administration	1,661,026	-	-	-
Operation and maintenance of plant	1,364,474	16,403	-	-
Transportation	500,727	10,838	7,346	-
	<u>4,422,692</u>	<u>27,241</u>	<u>7,346</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	303,971	-	-	7,919
Long-term debt interest	601,148	-	7,753	-
AEA flowthrough	466,146	-	466,146	-
Depreciation (unallocated)*	583,237	-	-	-
	<u>1,954,502</u>	<u>-</u>	<u>473,899</u>	<u>7,919</u>
Total governmental activities	<u>14,875,114</u>	<u>1,502,660</u>	<u>1,451,947</u>	<u>7,919</u>
Business type activities:				
Non-instructional programs:				
Food service operations	688,075	484,272	207,133	-
Daycare	34,443	54,664	-	-
Total business type activities	<u>722,518</u>	<u>538,936</u>	<u>207,133</u>	<u>-</u>
Total	<u>15,597,632</u>	<u>2,041,596</u>	<u>1,659,080</u>	<u>7,919</u>

General Revenues:

Property taxes levied for:
 General purposes
 Debt service
 Capital outlay
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

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
\$	\$	\$
(3,825,431)	-	(3,825,431)
(1,547,751)	-	(1,547,751)
(678,617)	-	(678,617)
<u>(6,051,799)</u>	<u>-</u>	<u>(6,051,799)</u>
(298,198)	-	(298,198)
(598,267)	-	(598,267)
(1,661,026)	-	(1,661,026)
(1,348,071)	-	(1,348,071)
(482,543)	-	(482,543)
<u>(4,388,105)</u>	<u>-</u>	<u>(4,388,105)</u>
(296,052)	-	(296,052)
(593,395)	-	(593,395)
-	-	-
(583,237)	-	(583,237)
<u>(1,472,684)</u>	<u>-</u>	<u>(1,472,684)</u>
<u>(11,912,588)</u>	<u>-</u>	<u>(11,912,588)</u>
-	3,330	3,330
-	20,221	20,221
<u>-</u>	<u>23,551</u>	<u>23,551</u>
<u>(11,912,588)</u>	<u>23,551</u>	<u>(11,889,037)</u>
4,195,753	-	4,195,753
524,051	-	524,051
93,336	-	93,336
1,325,430	-	1,325,430
6,111,250	-	6,111,250
163,920	1,516	165,436
81,786	-	81,786
<u>12,495,526</u>	<u>1,516</u>	<u>12,497,042</u>
582,938	25,067	608,005
<u>6,197,638</u>	<u>96,606</u>	<u>6,294,244</u>
<u>6,780,576</u>	<u>121,673</u>	<u>6,902,249</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General Fund	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	2,439,735	-	-	2,439,735
Other	983,105	447,837	780,285	2,211,227
Receivables:				
Property tax:				
Delinquent	41,359	-	12,243	53,602
Succeeding year	4,230,602	-	1,111,826	5,342,428
Accounts	15,636	10,342	2,924	28,902
Accrued interest - ISCAP	18,839	-	-	18,839
Due from other governments	155,376	225,240	1,672	382,288
Total assets	<u>7,884,652</u>	<u>683,419</u>	<u>1,908,950</u>	<u>10,477,021</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	13,407	19,366	2,176	34,949
Salaries and benefits payable	1,180,426	-	2,061	1,182,487
Due to other governments	66,604	-	546	67,150
ISCAP warrants payable	2,426,000	-	-	2,426,000
ISCAP accrued interest payable	20,369	-	-	20,369
ISCAP premium	27,192	-	-	27,192
Deferred revenue:				
Succeeding year property tax	4,230,602	-	1,111,826	5,342,428
Total liabilities	<u>7,964,600</u>	<u>19,366</u>	<u>1,116,609</u>	<u>9,100,575</u>
Fund balances:				
Reserved for:				
State categorical aid	31,013	-	-	31,013
Debt service	-	273,412	278,223	551,635
Unreserved reported in:				
General fund	(110,961)	-	-	(110,961)
Special revenue funds	-	-	514,118	514,118
Capital projects funds	-	390,641	-	390,641
Total fund balances	<u>(79,948)</u>	<u>664,053</u>	<u>792,341</u>	<u>1,376,446</u>
Total liabilities and fund balances	<u>7,884,652</u>	<u>683,419</u>	<u>1,908,950</u>	<u>10,477,021</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

\$

Total fund balances of governmental funds (Exhibit C)	1,376,446
--	-----------

***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.	20,473,810
--	------------

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.	(125,016)
--	-----------

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>(14,944,664)</u>
--	---------------------

Net assets of governmental activities (Exhibit A)	<u><u>6,780,576</u></u>
--	-------------------------

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,833,155	1,325,430	979,985	6,138,570
Tuition	1,033,535	-	-	1,033,535
Other	325,353	27,508	314,811	667,672
Intermediate sources	1,147	-	-	1,147
State sources	7,343,184	-	558	7,343,742
Federal sources	210,555	-	-	210,555
Total revenues	<u>12,746,929</u>	<u>1,352,938</u>	<u>1,295,354</u>	<u>15,395,221</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,212,284	1,584	275,559	5,489,427
Special	1,916,106	-	-	1,916,106
Other	763,721	-	294,404	1,058,125
	<u>7,892,111</u>	<u>1,584</u>	<u>569,963</u>	<u>8,463,658</u>
Support services:				
Student	298,198	-	-	298,198
Instructional staff	600,798	-	6,109	606,907
Administration	1,579,140	8,348	15,654	1,603,142
Operation and maintenance of plant	1,276,175	1,358	89,088	1,366,621
Transportation	408,842	-	15,575	424,417
	<u>4,163,153</u>	<u>9,706</u>	<u>126,426</u>	<u>4,299,285</u>
Other expenditures:				
Facilities acquisition	-	395,363	9,669	405,032
Long-term debt:				
Principal	-	-	830,000	830,000
Interest and fiscal charges	-	-	610,188	610,188
AEA flowthrough	466,146	-	-	466,146
	<u>466,146</u>	<u>395,363</u>	<u>1,449,857</u>	<u>2,311,366</u>
Total expenditures	<u>12,521,410</u>	<u>406,653</u>	<u>2,146,246</u>	<u>15,074,309</u>
Excess (deficiency) of revenues over (under) expenditures	<u>225,519</u>	<u>946,285</u>	<u>(850,892)</u>	<u>320,912</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	4,433	24,488	-	28,921
Sales of equipment and real estate	1,100	-	34,410	35,510
Operating transfers in	-	-	1,071,857	1,071,857
Operating transfers out	-	(1,071,857)	-	(1,071,857)
Total other financing sources (uses)	<u>5,533</u>	<u>(1,047,369)</u>	<u>1,106,267</u>	<u>64,431</u>
Net change in fund balances	231,052	(101,084)	255,375	385,343
Fund balances beginning of year	(311,000)	765,137	536,966	991,103
Fund balances end of year	<u>(79,948)</u>	<u>664,053</u>	<u>792,341</u>	<u>1,376,446</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, 2008

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		385,343
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and loss on disposal of capital assets exceeded expenditures for capital assets in the current year as follows:		
Loss on disposal of capital assets	(1,600)	
Expenditures for capital assets	133,625	
Depreciation expense	<u>(702,518)</u>	(570,493)
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.		830,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		9,040
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>(70,952)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>582,938</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	73,880
Accounts receivable	60
Due from other governments	296
Inventories	12,163
Capital assets, net of accumulated depreciation	<u>84,751</u>
Total assets	<u>171,150</u>
Liabilities	
Accounts payable	152
Salaries and benefits payable	40,448
Deferred revenue	<u>8,877</u>
Total liabilities	<u>49,477</u>
Net assets	
Invested in capital assets, net of related debt	84,751
Unrestricted	<u>36,922</u>
Total net assets	<u><u>121,673</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>538,936</u>
Operating expenses:	
Salaries	282,274
Benefits	62,042
Purchased services	28,587
Supplies	337,832
Depreciation	11,783
Total operating expenses	<u>722,518</u>
Operating gain (loss)	<u>(183,582)</u>
Non-operating revenues:	
State sources	7,095
Federal sources	200,038
Interest income	1,516
Total non-operating revenues	<u>208,649</u>
Net income	25,067
Net assets beginning of year	<u>96,606</u>
Net assets end of year	<u><u>121,673</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows form operating activities:	
Cash received from sale of lunches and breakfasts	484,779
Cash received from daycare services	53,714
Cash payments to employees for services	(344,484)
Cash payments to suppliers for goods or services	(332,825)
Net cash used by operating activities	<u>(138,816)</u>
Cash flows from non-capital financing activities:	
Repay loans from other funds	(11,000)
State grants received	7,095
Federal grants received	163,218
Net cash provided by non-capital financing activities	<u>159,313</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,257)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,516</u>
Net increase (decrease) in cash and cash equivalents	20,756
Cash and cash equivalents at beginning of year	<u>53,124</u>
Cash and cash equivalents at end of year	<u><u>73,880</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(183,582)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	37,601
Depreciation	11,783
Decrease (increase) in inventories	(3,318)
Decrease (increase) in accounts receivable	(23)
(Decrease) increase in accounts payable	(689)
(Decrease) increase in salaries and benefits payable	(168)
(Decrease) increase in deferred revenue	(420)
Net cash used by operating activities	<u><u>(138,816)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$37,601 of federal commodities.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

	Private Purpose Trust Scholarship \$	Agency \$
Assets		
Cash and pooled investments	889	-
Due from other governments	-	6,458
	<u>889</u>	<u>6,458</u>
Total Assets	889	6,458
Liabilities		
Due to other governments	-	6,458
	<u>-</u>	<u>6,458</u>
Net Assets		
Reserved for scholarships	<u>889</u>	<u>-</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trust
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	3,300
Interest	<u>16</u>
Total additions	3,316
Deductions:	
Support services:	
Scholarships awarded	<u>3,000</u>
Change in net assets	316
Net assets beginning of year	<u>573</u>
Net assets end of year	<u><u>889</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

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 attributable 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 not meeting 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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the

current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007, through June 30, 2008, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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. During the year ended June 30, 2008, expenditures in the support services functional area exceeded the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 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, 2008, the District had the following investments:

	Fair Value
	\$
Wells Fargo Advantage Government Money Market Fund	495,946

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

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Debt Service Fund	Capital Projects Fund	1,071,857

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

4. 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, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2007-08-B	1-23-08	1-23-09	1,225,923	18,379	1,222,000	19,907
2008-09A	6-26-08	6-25-09	1,213,812	460	1,204,000	462
			<u>2,439,735</u>	<u>18,839</u>	<u>2,426,000</u>	<u>20,369</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 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, 2008, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	700,000	700,000	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
2007-08A	4.500	5.455
2007-08B	3.750	3.451
2008-09A	3.500	3.469

5. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	669,715	-	-	669,715
Capital assets being depreciated:				
Buildings	24,581,149	-	50,000	24,531,149
Improvements other than buildings	1,189,012	63,683	-	1,252,695
Furniture and equipment	1,572,014	69,942	132,727	1,509,229
Total capital assets being deprec.	<u>27,342,175</u>	<u>133,625</u>	<u>182,727</u>	<u>27,293,073</u>
Less accumulated depreciation for:				
Buildings	5,241,945	520,603	50,000	5,712,548
Improvements other than buildings	569,179	62,634	-	631,813
Furniture and equipment	1,156,463	119,281	131,127	1,144,617
Total accumulated depreciation	<u>6,967,587</u>	<u>702,518</u>	<u>181,127</u>	<u>7,488,978</u>
Total capital assets being depreciated, net	<u>20,374,588</u>	<u>(568,893)</u>	<u>1,600</u>	<u>19,804,095</u>
Governmental activities capital assets, net	<u>21,044,303</u>	<u>(568,893)</u>	<u>1,600</u>	<u>20,473,810</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	261,910	1,257	10,597	252,570
Less accumulated depreciation	<u>166,633</u>	<u>11,783</u>	<u>10,597</u>	<u>167,819</u>
Business type activities capital assets, net	<u>95,277</u>	<u>(10,526)</u>	<u>-</u>	<u>84,751</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	17,686
Other	3,079
Support services:	
Instructional support	2,160
Administration services	4,645
Operation and maintenance of plant services	15,401
Transportation	<u>76,310</u>
	119,281
Unallocated depreciation	<u>583,237</u>
Total depreciation expense – governmental activities	<u>702,518</u>
Business type activities:	
Food services	11,483
Daycare services	<u>300</u>
Total depreciation – business type activities	<u>11,783</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	13,120,000	-	510,000	12,610,000	480,000
Local option sales and services tax revenue bonds	2,505,000	-	320,000	2,185,000	330,000
Termination benefits	<u>78,712</u>	149,664	<u>78,712</u>	149,664	149,664
Total	<u>15,703,712</u>	<u>149,664</u>	<u>908,712</u>	<u>14,944,664</u>	<u>959,664</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, 2008, the District has obligations to five participants with a total liability of \$149,664. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$78,712.

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Bond Issue of January, 1990				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009	6.80	30,000	2,040	32,040
Total		30,000	2,040	32,040

Bond Issue of October 2002				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009	3.05	290,000	8,845	298,845
Total		290,000	8,845	298,845

Bond Issue of October 2003				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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
2014-2018	3.65-4.10	1,035,000	403,695	1,438,695
2019-2023	4.15-4.40	1,290,000	172,708	1,462,708
Total		3,190,000	1,154,728	4,344,728

Bond Issue of October 2004				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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
2014-2018	3.40-3.90	2,505,000	1,121,550	3,626,550
2019-2023	4.00-4.25	3,010,000	597,000	3,607,000
2024	4.30	975,000	41,925	1,016,925
Total		8,215,000	3,247,423	11,462,423

Bond Issue of April 2006				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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
2014-2018	-	-	188,065	188,065
2019-2023	-	-	188,065	188,065
2024-2025	4.25	885,000	75,226	960,226
Total		885,000	639,421	1,524,421

Revenue Bonds Payable

Details of the District's June 30, 2008 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
	%	\$	\$	\$
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	4.0	385,000	31,600	416,600
2014	4.0	405,000	16,200	421,200
Total		2,185,000	316,400	2,501,400

The District has pledged future local option sales and services tax revenues to repay the \$2,505,000 bonds issued in May 2006. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 32% of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$2,501,400. For the current year, \$420,200 of principal and interest was paid on the bonds and total local option sales and services tax revenues were \$1,325,430.

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.

7. 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 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for

the years ended June 30, 2008, 2007, and 2006 were \$498,842, \$462,983, and \$439,799 respectively, equal to the required contributions for each year.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$466,146 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Deficit Fund Balances

At June 30, 2008 the District had a General Fund deficit unreserved fund balance of \$100,961 and the Enterprise School Nutrition Fund had a deficit unrestricted net assets of \$34,201.

11. Lease Commitment

The District entered into a five year contract to lease copiers in fiscal year 2008. The payments the District will make over the next five years are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>
	\$
2009	9,444
2010	9,444
2011	9,444
2012	9,444
2013	3,935

REQUIRED SUPPLEMENTARY INFORMATION

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	7,839,777	540,452	8,380,229	7,850,301	7,850,301	529,928
Intermediate sources	1,147	-	1,147	-	-	1,147
State sources	7,343,742	7,095	7,350,837	7,219,914	7,219,914	130,923
Federal sources	210,555	200,038	410,593	370,500	370,500	40,093
Total revenues	<u>15,395,221</u>	<u>747,585</u>	<u>16,142,806</u>	<u>15,440,715</u>	<u>15,440,715</u>	<u>702,091</u>
Expenditures/Expenses:						
Instruction	8,463,658	-	8,463,658	8,199,365	8,500,000	36,342
Support services	4,299,285	72,534	4,371,819	4,282,462	4,282,462	(89,357)
Non-instructional programs	-	649,984	649,984	629,400	700,000	50,016
Other expenditures	2,311,366	-	2,311,366	2,994,555	2,994,555	683,189
Total expenditures/expenses	<u>15,074,309</u>	<u>722,518</u>	<u>15,796,827</u>	<u>16,105,782</u>	<u>16,477,017</u>	<u>680,190</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	320,912	25,067	345,979	(665,067)	(1,036,302)	1,382,281
Other financing sources (uses) net	<u>64,431</u>	<u>-</u>	<u>64,431</u>	<u>-</u>	<u>-</u>	<u>64,431</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	385,343	25,067	410,410	(665,067)	(1,036,302)	1,446,712
Balance beginning of year	<u>991,103</u>	<u>96,606</u>	<u>1,087,709</u>	<u>890,877</u>	<u>(1,087,259)</u>	<u>2,174,968</u>
Balance end of year	<u><u>1,376,446</u></u>	<u><u>121,673</u></u>	<u><u>1,498,119</u></u>	<u><u>225,810</u></u>	<u><u>(2,123,561)</u></u>	<u><u>3,621,680</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

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 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 \$371,235.

During the year ended June 30, 2008, expenditures in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Cash and pooled investments	284,966	93,376	130,828	271,115	780,285
Receivables:					
Property tax:					
Delinquent	3,912	-	1,252	7,079	12,243
Succeeding year	431,878	-	102,732	577,216	1,111,826
Accounts	-	2,924	-	-	2,924
Due from other governments	21	1,617	5	29	1,672
Total assets	720,777	97,917	234,817	855,439	1,908,950
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	1,360	816	-	2,176
Salaries and benefits payable	-	2,061	-	-	2,061
Due to other governments	546	-	-	-	546
Deferred revenue:					
Succeeding year property tax	431,878	-	102,732	577,216	1,111,826
Total liabilities	432,424	3,421	103,548	577,216	1,116,609
Fund balances:					
Reserved for debt service	-	-	-	278,223	278,223
Unreserved reported in:					
Special revenue funds	288,353	94,496	131,269	-	514,118
Total fund balances	288,353	94,496	131,269	278,223	792,341
Total liabilities and fund balances	720,777	97,917	234,817	855,439	1,908,950

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	362,598	-	93,336	524,051	979,985
Other	20,582	282,047	4,429	7,753	314,811
State sources	211	-	52	295	558
Total revenues	<u>383,391</u>	<u>282,047</u>	<u>97,817</u>	<u>532,099</u>	<u>1,295,354</u>
Expenditures:					
Current:					
Instruction:					
Regular	152,719	-	122,840	-	275,559
Other	-	294,404	-	-	294,404
Support services:					
Instructional staff	-	3,069	3,040	-	6,109
Administration	13,645	-	2,009	-	15,654
Operation and maintenance of plant	70,427	4,771	13,890	-	89,088
Transportation	15,575	-	-	-	15,575
Other expenditures:					
Facilities acquisition	-	-	9,669	-	9,669
Long-term debt:					
Principal	-	-	-	830,000	830,000
Interest and fiscal charges	-	-	-	610,188	610,188
Total expenditures	<u>252,366</u>	<u>302,244</u>	<u>151,448</u>	<u>1,440,188</u>	<u>2,146,246</u>
Excess (deficiency) of revenues over (under) expenditures	131,025	(20,197)	(53,631)	(908,089)	(850,892)
Other financing sources (uses):					
Sales of real property	-	-	34,410	-	34,410
Operating transfers in	-	-	-	1,071,857	1,071,857
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>34,410</u>	<u>1,071,857</u>	<u>1,106,267</u>
Net change in fund balances	131,025	(20,197)	(19,221)	163,768	255,375
Fund balances beginning of year	<u>157,328</u>	<u>114,693</u>	<u>150,490</u>	<u>114,455</u>	<u>536,966</u>
Fund balances end of year	<u><u>288,353</u></u>	<u><u>94,496</u></u>	<u><u>131,269</u></u>	<u><u>278,223</u></u>	<u><u>792,341</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2008

	<u>Nonmajor Enterprise Funds</u>		
	School		Total
	Nutrition	Daycare	
	\$	\$	\$
Assets			
Cash and cash equivalents	283	73,597	73,880
Accounts receivable	60	-	60
Due from other governments	296	-	296
Inventories	12,163	-	12,163
Capital assets, net of accumulated depreciation	<u>84,153</u>	<u>598</u>	<u>84,751</u>
Total assets	<u>96,955</u>	<u>74,195</u>	<u>171,150</u>
Liabilities			
Accounts payable	152	-	152
Salaries and benefits payable	38,034	2,414	40,448
Deferred revenue	<u>8,817</u>	<u>60</u>	<u>8,877</u>
Total liabilities	<u>47,003</u>	<u>2,474</u>	<u>49,477</u>
Net assets			
Invested in capital assets, net of related debt	84,153	598	84,751
Unrestricted	<u>(34,201)</u>	<u>71,123</u>	<u>36,922</u>
Total net assets	<u><u>49,952</u></u>	<u><u>71,721</u></u>	<u><u>121,673</u></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, 2008

	<u>Nonmajor Enterprise Funds</u>		
	<u>School Nutrition</u>	<u>Daycare</u>	<u>Total</u>
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	<u>484,272</u>	<u>54,664</u>	<u>538,936</u>
Operating expenses:			
Salaries	263,091	19,183	282,274
Benefits	59,038	3,004	62,042
Purchased services	18,827	9,760	28,587
Supplies	335,636	2,196	337,832
Depreciation	11,483	300	11,783
	<u>688,075</u>	<u>34,443</u>	<u>722,518</u>
Operating gain (loss)	<u>(203,803)</u>	<u>20,221</u>	<u>(183,582)</u>
Non-operating revenue (expenses):			
State sources	7,095	-	7,095
Federal sources	200,038	-	200,038
Interest income	59	1,457	1,516
Total non-operating revenue	<u>207,192</u>	<u>1,457</u>	<u>208,649</u>
Change in net assets	3,389	21,678	25,067
Net assets beginning of year	<u>46,563</u>	<u>50,043</u>	<u>96,606</u>
Net assets end of year	<u><u>49,952</u></u>	<u><u>71,721</u></u>	<u><u>121,673</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2008

	<u>Nonmajor Enterprise Funds</u>		
	<u>School</u>		<u>Total</u>
	<u>Nutrition</u>	<u>Daycare</u>	
	\$	\$	\$
Cash flows form operating activities:			
Cash received from sale of lunches and breakfasts	484,779	-	484,779
Cash received from daycare services	-	53,714	53,714
Cash payments to employees for services	(322,921)	(21,563)	(344,484)
Cash payments to suppliers for goods or services	(320,869)	(11,956)	(332,825)
Net cash used by operating activities	<u>(159,011)</u>	<u>20,195</u>	<u>(138,816)</u>
Cash flows from non-capital financing activities:			
Repay loans from other funds	(11,000)	-	(11,000)
State grants received	7,095	-	7,095
Federal grants received	163,218	-	163,218
Net cash provided by non-capital financing activities	<u>159,313</u>	<u>-</u>	<u>159,313</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(1,257)</u>	<u>-</u>	<u>(1,257)</u>
Cash flows from investing activities:			
Interest on investments	<u>59</u>	<u>1,457</u>	<u>1,516</u>
Net increase (decrease) in cash and cash equivalents	(896)	21,652	20,756
Cash and cash equivalents at beginning of year	<u>1,179</u>	<u>51,945</u>	<u>53,124</u>
Cash and cash equivalents at end of year	<u><u>283</u></u>	<u><u>73,597</u></u>	<u><u>73,880</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(203,803)	20,221	(183,582)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	37,601	-	37,601
Depreciation	11,483	300	11,783
Decrease (increase) in inventories	(3,318)	-	(3,318)
Decrease (increase) in accounts receivable	(23)	-	(23)
(Decrease) increase in accounts payable	(689)	-	(689)
(Decrease) increase in salaries and benefits payable	(792)	624	(168)
(Decrease) increase in deferred revenue	530	(950)	(420)
Net cash used by operating activities	<u>(159,011)</u>	<u>20,195</u>	<u>(138,816)</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
HIGH SCHOOL					
Interest	9,154	1,833	98	(169)	10,720
Cross country	(364)	3,582	4,579	1,137	(224)
Golf	4,373	10,608	9,979	(50)	4,952
Weight	-	1,098	-	(1,098)	-
Boys basketball	960	26,225	19,890	(2,054)	5,241
Football	(2,981)	34,986	25,768	(9,197)	(2,960)
Boys soccer	3,946	6,047	7,787	2,105	4,311
Baseball	688	19,307	37,928	20,691	2,758
Boys track	2,755	13,681	8,811	(1,124)	6,501
Wrestling	3,385	8,187	8,733	284	3,123
Girls basketball	491	12,437	10,827	(3,148)	(1,047)
Volleyball	-	15,239	11,352	88	3,975
Girls soccer	(629)	10,994	11,346	675	(306)
Softball	1,100	10,576	33,080	22,335	931
Girls track	238	4,528	4,246	(403)	117
Athletics	65,016	9	-	(30,946)	34,079
Button club	63	-	-	-	63
Class of 2006	989	-	240	-	749
Class of 2007	1,694	-	-	-	1,694
Class of 2008	880	-	-	(880)	-
High school prom	2,800	5,800	6,518	880	2,962
Special events	115	52,313	61,892	168	(9,296)
Drama	5,544	3,491	1,823	-	7,212
Speech contest	1,002	-	278	-	724
French club	1,304	-	-	-	1,304
National Honor Society	215	1,293	888	-	620
Danz team	1,303	4,011	2,839	1,231	3,706
SADD	1,088	111	568	-	631
Thespian club	806	452	65	-	1,193
Student council	792	3,239	1,789	-	2,242
TSA	682	2,360	1,912	-	1,130
Yearbook	2,433	21,267	20,811	-	2,889
Cheerleading	77	3,288	2,255	(256)	854
MIDDLE SCHOOL					
8-9 Student Council	1,362	2,747	2,875	-	1,234
Cross country	10	252	-	(233)	29
Baseball	(59)	-	-	59	-
Wrestling	(429)	-	-	431	2
Girls basketball	34	580	543	-	71
Softball	-	-	-	64	64
Girls track	-	590	-	(590)	-
6-7 student council	3,428	826	2,431	-	1,823
DeSoto student council	428	90	93	-	425
Total	114,693	282,047	302,244	-	94,496

See accompanying independent auditor's report.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Assets				
Cash	-	157,634	157,634	-
Due from other governments	5,818	6,458	5,818	6,458
	<u>5,818</u>	<u>6,458</u>	<u>5,818</u>	<u>6,458</u>
Total assets	<u>5,818</u>	<u>164,092</u>	<u>163,452</u>	<u>6,458</u>
Liabilities				
Accounts payable	-	115,521	115,521	-
Due to other governments	5,818	6,458	5,818	6,458
	<u>5,818</u>	<u>6,458</u>	<u>5,818</u>	<u>6,458</u>
Total liabilities	<u>5,818</u>	<u>121,979</u>	<u>121,339</u>	<u>6,458</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			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	6,138,570	5,738,045	5,193,904	4,917,068
Tuition	1,033,535	909,651	876,667	900,135
Other	667,672	604,678	681,128	641,454
Intermediate sources	1,447	15,265	-	-
State sources	7,343,742	6,982,446	6,622,221	6,207,251
Federal sources	210,555	196,662	636,774	184,708
Total revenues	<u>15,395,521</u>	<u>14,446,747</u>	<u>14,010,694</u>	<u>12,850,616</u>
Expenditures:				
Instruction:				
Regular	5,489,724	5,379,215	5,034,519	4,963,537
Special	1,916,106	2,081,825	2,001,882	1,890,295
Other	1,058,125	977,658	1,027,035	986,843
Support services:				
Student	298,198	344,458	303,146	307,132
Instructional staff	606,907	704,582	521,458	381,207
Administration	1,603,142	1,368,980	1,157,743	977,035
Operation and maintenance of plant	1,366,621	1,247,423	1,121,868	1,039,748
Transportation	424,417	573,757	554,551	516,087
Other expenditures:				
Facilities acquisition	405,032	2,223,773	9,437,295	4,194,736
Long-term debt:				
Principal	830,000	490,000	475,000	400,000
Interest and other charges	610,188	592,307	555,362	556,869
AEA flowthrough	466,146	441,043	409,437	389,902
Total expenditures	<u>15,074,606</u>	<u>16,425,021</u>	<u>22,599,296</u>	<u>16,603,391</u>

Gary E. Horton CPA

PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 9, 2009. 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 08-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, 2008 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 9, 2009

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

08-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: We will continue to review our procedures and implement additional controls where possible.

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, 2008

Part II: Other Findings Related to Statutory Reporting:

08-II-A Certified Budget: Expenditures for the year ended June 30, 2008, exceeded the amount budgeted in the support services function..

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

District Response: We did amend our budget but year-end expenditures were more than anticipated.

Conclusion: Response accepted.

08-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.

08-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.

08-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.

08-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.

08-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

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

08-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.

08-II-I Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

08-II-J Deficit Balances: The District has a \$110,961 deficit unreserved fund balance in the General Fund and the School Nutrition Fund has a deficit unrestricted net assets balance of \$34,201 at June 30, 2008.

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 2009.

Conclusion: Response accepted.