

ADEL DESOTO MINBURN COMMUNITY SCHOOL  
DISTRICT

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

June 30, 2009

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Adel DeSoto Minburn Community School District, Adel, Iowa, as of and for the year ended June 30, 2009, 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, 2009, 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 February 25, 2010 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 42 through 44 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 years ended June 30, 2008, 2007 and 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the years ended June 30, 2006, 2005 and 2004, (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 9, including the Schedule of Expenditures of Federal Awards, required by OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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

February 25, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Adel DeSoto Minburn Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### Financial Highlights

- General Fund revenues increased from \$12,746,929 in fiscal 2008 to \$13,222,491 in fiscal 2009, while General Fund expenditures increased from \$12,521,410 in fiscal 2008 to \$12,614,190 in fiscal 2008. The District's General Fund balance increased from (\$79,948) in fiscal 2008 to \$635,657 in fiscal 2009, an 895.1% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and federal grant revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits.
- The District has experienced flat enrollment growth for five years, with the exception of fiscal 2009 when enrollment dropped 30 students, putting pressure on the operating budget. Cash reserves were used until fiscal 2007 when budget cuts were made mid-year to reduce deficit spending and a balanced budget was achieved for fiscal 2008. A balanced budget for fiscal 2009 and preserving a cash reserve levy of \$395,918 to continue to replenish reserves helped the district to improve its financial position for fiscal 2009, even though there was a 1 ½% across-the-board cut to state aid during fiscal 2009.
- 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.

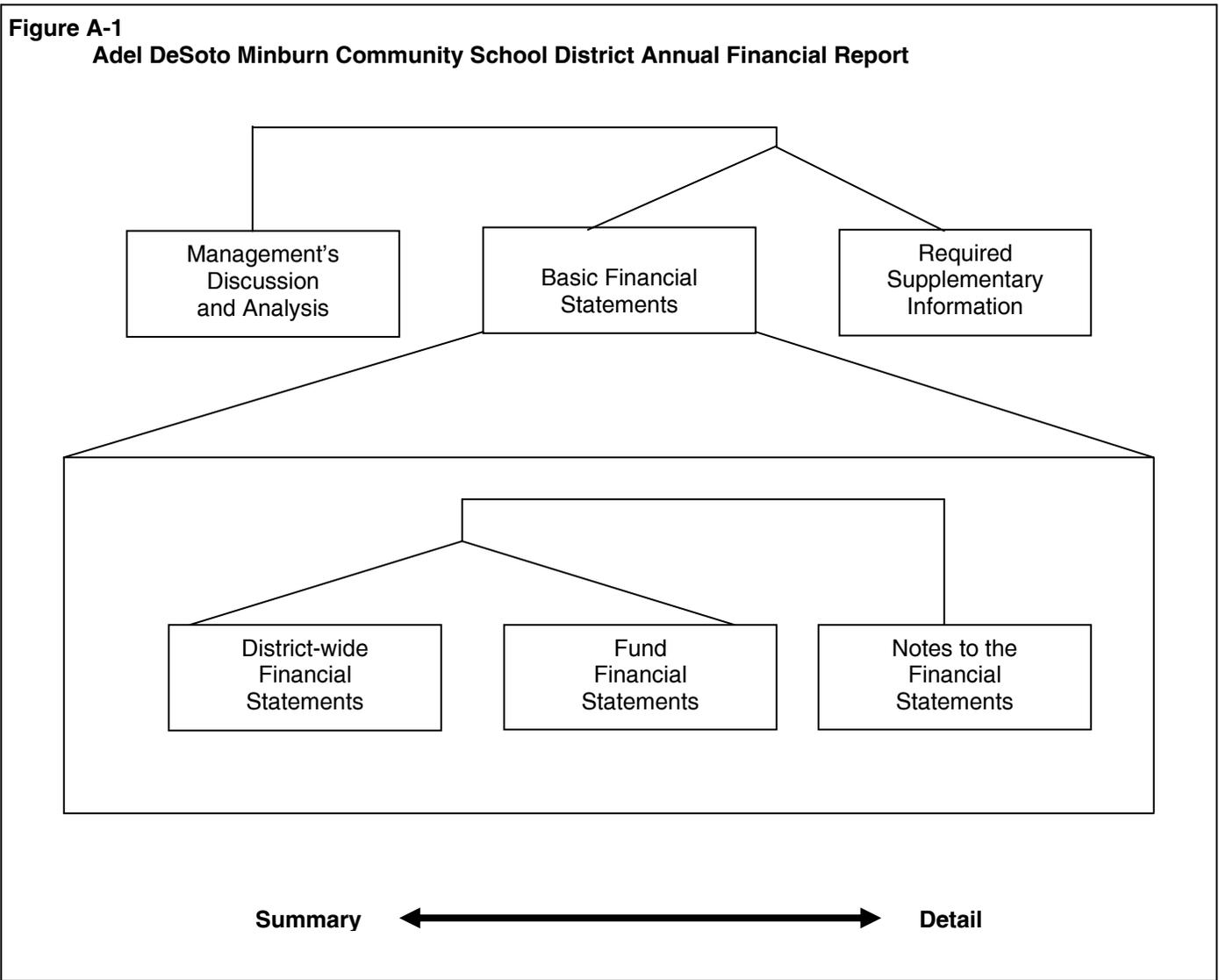


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents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

<b>Figure A-2 Major Features of the District-Wide and Fund Financial Statements</b>				
	District-Wide Statements	Fund Statements		
		Government Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial Statements	<ul style="list-style-type: none"> <li>▣ Statement of net assets</li> <li>▣ Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>▣ Balance sheet</li> <li>▣ Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>▣ Statement of net assets</li> <li>▣ Statement of revenues, expenses and changes in net assets</li> <li>▣ Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>▣ Statement of fiduciary net assets</li> <li>▣ Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

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

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and before-and-after school program are included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
  - The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
  - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Day Care Fund.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for custodial purposes and related expenditures.

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

### Financial Analysis of the District as a Whole

**Net assets** – Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2009 compared to 2008.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$9,383	\$10,477	\$ 102	\$ 86	\$9,485	\$ 10,563	-10.2%
Capital assets	19,958	20,474	74	85	20,032	20,559	-2.6%
Total assets	<u>29,341</u>	<u>30,951</u>	<u>176</u>	<u>171</u>	<u>29,517</u>	<u>31,122</u>	<u>-5.2%</u>
Long-term obligations	14,007	14,945	1	-0-	14,008	14,945	-6.3%
Other liabilities	7,186	9,225	68	49	7,254	9,274	-21.8%
Total liabilities	<u>21,193</u>	<u>24,170</u>	<u>69</u>	<u>49</u>	<u>21,262</u>	<u>24,219</u>	<u>-12.2%</u>
Net assets:							
Invested in capital assets, net of related debt	5,973	5,679	74	85	6,047	5,764	4.9%
Restricted	1,605	1,213	-0-	-0-	1,605	1,213	32.3%
Unrestricted	570	(111)	33	37	603	(74)	914.9%
Total net assets	<u>\$8,148</u>	<u>\$6,781</u>	<u>\$ 107</u>	<u>\$ 122</u>	<u>\$ 8,255</u>	<u>\$ 6,903</u>	<u>19.6%</u>

The District’s improved financial position in regard to net assets is the product of many factors. Capital assets decreased due to the increase of accumulated depreciation that was greater than the increased value of capital assets. Primary building and current assets decreased because the District used only ISCAP Series A for fiscal 2009. 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 decreased because the District used only ISCAP Series A for fiscal 2009.

The restricted net assets increase can be attributed primarily to the increased balances reserved for the Management Fund and SILO Fund.

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, 2009 compared to 2008.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-2009
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service and sales	\$1,609	\$1,503	\$ 578	\$ 539	\$ 2,187	\$ 2,042	7.1 %
Operating grants, contributions and restricted interest	1,774	1,452	209	207	1,983	1,659	19.5%
Capital grants, contributions and restricted interest	-0-	8	-0-	-0-	-0-	8	-100.0%
<b>General revenues:</b>							
Property Tax	5,339	4,813	-0-	-0-	5,339	4,813	10.9%
SILO	1,213	1,325	-0-	-0-	1,213	1,325	-8.5%
Unrestricted state grants	5,806	6,111	-0-	-0-	5,806	6,111	-5.0%
ARRA stabilization grant	114	-0-	-0-	-0-	114	-0-	0.0%
Unrestricted investment earnings	91	164	1	2	92	166	-44.6%
Other	48	82	-0-	-0-	48	82	-41.5%
Transfers	59	-0-	(59)	-0-	-0-	-0-	0%
<b>Total revenues and transfers</b>	<b>16,053</b>	<b>15,458</b>	<b>729</b>	<b>748</b>	<b>16,782</b>	<b>16,206</b>	<b>3.6%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	8,446	8,498	-0-	-0-	8,446	8,498	-0.6%
Support services	4,338	4,423	-0-	-0-	4,338	4,423	-1.9%
Non-instructional programs	3	0	744	723	747	723	3.3%
Other expenses	1,898	1,954	-0-	-0-	1,898	1,954	-2.9%
<b>Total expenses</b>	<b>14,685</b>	<b>14,875</b>	<b>744</b>	<b>723</b>	<b>15,429</b>	<b>15,598</b>	<b>-1.1%</b>
<b>Change in net assets</b>	<b>\$ 1,368</b>	<b>\$583</b>	<b>(\$15)</b>	<b>\$ 25</b>	<b>\$1,353</b>	<b>\$608</b>	<b>122.5%</b>

Property tax and unrestricted state grants account for 66% 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 \$16,052,775 and expenses were \$14,685,103. Enrollment dropped by 30 students 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	\$ 8,446	\$ 5,600
Support Services	4,338	4,288
Non Instruction programs	3	3
Other expenses	1,898	1,411
Totals	\$ 14,685	\$ 11,302

- The cost financed by users of the District's programs was \$1,609,501.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,773,644.
- The net cost of governmental activities was financed with \$5,338,616 in property tax, \$1,212,982 in SILO, \$5,806,458 in state foundation aid and mobile home taxes, \$114,211 in an ARRA stabilization grant, \$90,528 in interest income, and \$47,835 in other income.

### **Business Type Activities**

Revenues and transfers of the District's business-type activities were \$729,423 and expenses were \$744,208. The District's business-type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income.

During the year ended June 30, 2008, increases in meal prices were made for fiscal 2009. 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. The Day Care Fund was able to meet expenses with charges for services and make a transfer to General Fund for past years childcare profits that decreased 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 \$2,309,102, an increase compared to last year's ending fund balances of \$932,656.

### **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 (\$79,948) to \$635,657 because the District was able to trim expenditures and preserve the cash reserve levy. Even though the negotiated salary and benefit settlements increased 1.92% for certified staff, 2.17% for classified staff, and 1.79% for administrators, budget cuts and increased revenues offset costs.
- The Management Fund balance increased from \$288,353 to \$411,198 because the levy was adequate to offset property and casualty insurance premiums increases and unemployment claims increases.

- The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from \$131,269 to \$123,463. SILO Fund receipts have allowed preservation of some of the PEEL fund balance to be used for buying computers and busses. The voted PEEL levy expired June 30, 2005.
- The Capital Projects Fund balance increased from \$644,053 to \$726,815 because of reduced expenditures to improve indoor and outdoor facilities.

### **Proprietary Fund Highlights**

- The School Nutrition Fund net assets increased from \$49,952 at June 30, 2008, to \$60,380 at June 30, 2009, representing an increase of approximately 21 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 decreased from \$71,721 at June 30, 2008, to \$46,508 at June 30, 2009, representing a decrease of approximately 35%. A transfer to General Fund for past years childcare profits reduced the ending fund balance.

## **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, noninstructional programs, and a bond issue. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on page 42.

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 \$366,390 more than the total budgeted receipts, a variance of 2.2%. The most significant change resulted in the District receiving more in various local and federal sources of funds than originally anticipated and less in state sources.

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 PEEL 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, as it did for fiscal 2009.

## **Capital Asset and Debt Administration**

### **Capital Assets**

At June 30, 2009, the District had invested \$20.0 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 2.6 percent from last year. More detailed information is available in Note 5 to the financial statements. Depreciation expense for the year was \$725,883.

The original cost of the District's capital assets was \$28.36 million. Governmental funds account for \$28.11 million with the remainder of \$0.25 million in the Proprietary funds, School Nutrition Fund and Day Care Fund.

The largest change in capital asset activity during the year occurred in the depreciation of improvements other than buildings and of obsolete equipment.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 670	670	\$ -0-	-0-	\$ 670	670	0.0%
Buildings	18,385	18,819	-0-	-0-	18,385	18,819	-2.3%
Improvements other than buildings	558	621	-0-	-0-	558	621	-10.1%
Furniture and equipment	346	364	73	85	419	449	-6.7%
<b>Totals</b>	<b>\$ 19,959</b>	<b>20,474</b>	<b>\$ 73</b>	<b>85</b>	<b>\$ 20,032</b>	<b>20,559</b>	<b>-2.6%</b>

### Long-Term Debt

At June 30, 2009, the District had \$14,006,811 in outstanding general obligation bond debt and other long-term debt. This represents a decrease of approximately 6.3 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 6 to the financial statements.

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

	Total School District		Total Change
	2009	2008	2008-2009
General obligation bonds	\$ 12,130	\$ 12,610	-3.8%
Revenue bonds	1,855	2,185	-15.1%
Early retirement	0	150	-100.0%
Net OPEB liability	22	0	0%
<b>Totals</b>	<b>\$ 14,007</b>	<b>\$ 14,945</b>	<b>-6.3%</b>

### Factors Bearing on the District's Future

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

- The State of Iowa dictated a statewide revaluation of agricultural land and the corresponding rollback in residential property values resulted in a loss of approximately \$1 million in bonding capacity for the 8-9 grades building and remodeling projects. The district used revenue bonds based on Local Option Sales and Services Taxes to fund those projects, funds that were intended to replace the Physical Plant and Equipment Levy that

expired at the end of fiscal 2005 and were intended to be used as a cushion for other infrastructure needs. The 10-year Facility Plan will be impacted by less funding dollars available unless SILO dollars increase.

- The District experienced declining enrollment for five years before an increase of twenty students in fiscal 2003 that was followed by a loss of students in fiscal 2004. Enrollment increased slightly again for fiscal 2007. The completion of converting U.S. Highway 6 from two lanes to four lanes and new housing projects begun in DeSoto and several rural areas 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 declined by 30 students in fiscal 2009, followed by an increase of 13 students on count date October 1, 2009.
- The District's declining financial position spurred budget cuts for fiscal 2009 to balance the budget. The District levied a cash reserve of \$395,918 to continue to replenish reserves. The district levied a cash reserve of \$480,069 for fiscal 2010. The District is committed to balanced budgets and positive solvency ratios in future years. The prolonged state and national economic downturn has impacted the District through reduced state aid and a substitution of increased federal funds for state aid in the District's fiscal 10 budget. Further decreased state revenues may precipitate another across-the-board cut in state aid in fiscal 10, requiring more cuts or raising taxes for fiscal 11. Unexpected revenue cuts in fiscal 10 could decrease reserves. As part of the budget cutting process in fiscal 09, the District explored a grade re-alignment that would have reduced grade levels at Minburn Elementary. While that path was not chosen, the School Board approved a facilities study of the condition of buildings and of capacity to begin Fall 2009 that may move the District toward the closure of a building or buildings for fiscal 11.
- The District will negotiate a new agreement during fiscal 2010 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, allowing for no increased revenue from that source.
- 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, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	3,257,749	95,125	3,352,874
Receivables:			
Property tax:			
Delinquent	57,441	-	57,441
Succeeding year	5,627,016	-	5,627,016
Accounts	19,965	-	19,965
Due from other governments	420,720	-	420,720
Inventories	-	6,840	6,840
Capital assets, net of accumulated depreciation	19,958,624	73,652	20,032,276
<b>Total assets</b>	<b>29,341,515</b>	<b>175,617</b>	<b>29,517,132</b>
<b>Liabilities</b>			
Accounts payable	34,787	7,562	42,349
Salaries and benefits payable	1,316,084	43,615	1,359,699
Due to other governments	68,618	-	68,618
Accrued interest payable	112,667	-	112,667
Deferred revenue:			
Succeeding year property tax	5,627,016	-	5,627,016
Other	27,284	16,734	44,018
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	580,000	-	580,000
Revenue bonds payable	340,000	-	340,000
Portion due after one year:			
General obligation bonds payable	11,550,000	-	11,550,000
Revenue bonds payable	1,515,000	-	1,515,000
Net OPEB liability	21,811	818	22,629
<b>Total liabilities</b>	<b>21,193,267</b>	<b>68,729</b>	<b>21,261,996</b>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net assets</b>			
Invested in capital assets, net of related debt	5,973,624	73,652	6,047,276
Restricted for:			
Categorical funding	44,004	-	44,004
Management levy	411,198	-	411,198
Physical plant and equipment levy	123,463	-	123,463
Other special revenue purposes	136,851	-	136,851
Sales tax capital projects	451,513	-	451,513
Debt service	437,753	-	437,753
Unrestricted	569,842	33,236	603,078
<b>Total net assets</b>	<u>8,148,248</u>	<u>106,888</u>	<u>8,255,136</u>

Adel Desoto Minburn Community School District

Statement of Activities

Year ended June 30, 2009

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	5,505,186	931,368	1,024,476	-
Special	1,902,598	277,256	127,495	-
Other	1,038,036	380,194	105,090	-
	<u>8,445,820</u>	<u>1,588,818</u>	<u>1,257,061</u>	<u>-</u>
Support services:				
Student	330,501	-	23,381	-
Instructional staff	606,085	-	-	-
Administration	1,596,558	-	-	-
Operation and maintenance of plant	1,325,212	7,021	-	-
Transportation	480,286	13,662	6,141	-
	<u>4,338,642</u>	<u>20,683</u>	<u>29,522</u>	<u>-</u>
Non-instructional programs	<u>2,934</u>	-	-	-
Other expenditures:				
Facilities acquisition	256,460	-	-	-
Long-term debt interest	569,021	-	2,617	-
AEA flowthrough	484,444	-	484,444	-
Depreciation (unallocated)*	587,782	-	-	-
	<u>1,897,707</u>	<u>-</u>	<u>487,061</u>	<u>-</u>
Total governmental activities	<u>14,685,103</u>	<u>1,609,501</u>	<u>1,773,644</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	717,528	518,544	209,316	-
Childcare	26,680	59,486	-	-
Total business type activities	<u>744,208</u>	<u>578,030</u>	<u>209,316</u>	<u>-</u>
Total	<u>15,429,311</u>	<u>2,187,531</u>	<u>1,982,960</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales and services tax				
Unrestricted state grants				
ARRA stabilization grant				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
<b>Change in net assets</b>				
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
\$	\$	\$
(3,549,342)	-	(3,549,342)
(1,497,847)	-	(1,497,847)
(552,752)	-	(552,752)
<u>(5,599,941)</u>	<u>-</u>	<u>(5,599,941)</u>
(307,120)	-	(307,120)
(606,085)	-	(606,085)
(1,596,558)	-	(1,596,558)
(1,318,191)	-	(1,318,191)
(460,483)	-	(460,483)
<u>(4,288,437)</u>	<u>-</u>	<u>(4,288,437)</u>
(2,934)	-	(2,934)
(256,460)	-	(256,460)
(566,404)	-	(566,404)
-	-	-
(587,782)	-	(587,782)
<u>(1,410,646)</u>	<u>-</u>	<u>(1,410,646)</u>
(11,301,958)	-	(11,301,958)
-	10,332	10,332
-	32,806	32,806
<u>-</u>	<u>43,138</u>	<u>43,138</u>
(11,301,958)	43,138	(11,258,820)
4,659,098	-	4,659,098
576,857	-	576,857
102,661	-	102,661
1,212,982	-	1,212,982
5,806,458	-	5,806,458
114,211	-	114,211
90,528	1,077	91,605
47,835	-	47,835
12,610,630	1,077	12,611,707
59,000	(59,000)	-
<u>12,669,630</u>	<u>(57,923)</u>	<u>12,611,707</u>
1,367,672	(14,785)	1,352,887
6,780,576	121,673	6,902,249
<u>8,148,248</u>	<u>106,888</u>	<u>8,255,136</u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	1,776,228	1,481,521	3,257,749
Receivables:			
Property tax:			
Delinquent	44,213	13,228	57,441
Succeeding year	4,425,694	1,201,322	5,627,016
Accounts	17,154	2,811	19,965
Due from other governments	215,645	205,075	420,720
<b>Total assets</b>	<b>6,478,934</b>	<b>2,903,957</b>	<b>9,382,891</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	15,191	19,596	34,787
Salaries and benefits payable	1,314,998	1,086	1,316,084
Due to other governments	64,205	4,413	68,618
Deferred revenue:			
Succeeding year property tax	4,425,694	1,201,322	5,627,016
Other	23,189	4,095	27,284
Total liabilities	5,843,277	1,230,512	7,073,789
Fund balances:			
Reserved for:			
Categorical funding	44,004	-	44,004
Debt service	-	550,420	550,420
Unreserved reported in:			
General fund	591,653	-	591,653
Special revenue funds	-	671,512	671,512
Capital projects funds	-	451,513	451,513
Total fund balances	635,657	1,673,445	2,309,102
<b>Total liabilities and fund balances</b>	<b>6,478,934</b>	<b>2,903,957</b>	<b>9,382,891</b>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

\$

<b>Total fund balances of governmental funds (Exhibit C)</b>	2,309,102
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***Amounts reported for governmental activities in the  
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	19,958,624
--	------------

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.	(112,667)
--	-----------

Long-term liabilities, including bonds payable and other post employment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(14,006,811)</u>
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<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>8,148,248</u></u>
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## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	4,227,533	2,324,065	6,551,598
Tuition	1,078,218	-	1,078,218
Other	262,716	400,943	663,659
Intermediate sources	561	-	561
State sources	7,265,977	595	7,266,572
Federal sources	387,486	-	387,486
Total revenues	<u>13,222,491</u>	<u>2,725,603</u>	<u>15,948,094</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,399,679	148,966	5,548,645
Special	1,897,554	-	1,897,554
Other	737,491	317,977	1,055,468
	<u>8,034,724</u>	<u>466,943</u>	<u>8,501,667</u>
Support services:			
Student	329,819	-	329,819
Instructional staff	566,289	63,268	629,557
Administration	1,577,231	71,420	1,648,651
Operation and maintenance of plant	1,229,556	78,619	1,308,175
Transportation	392,127	86,648	478,775
	<u>4,095,022</u>	<u>299,955</u>	<u>4,394,977</u>
Non-instructional programs	-	2,934	2,934
Other expenditures:			
Facilities acquisition	-	347,350	347,350
Long-term debt:			
Principal	-	810,000	810,000
Interest and fiscal charges	-	581,370	581,370
AEA flowthrough	484,444	-	484,444
	<u>484,444</u>	<u>1,738,720</u>	<u>2,223,164</u>
Total expenditures	<u>12,614,190</u>	<u>2,508,552</u>	<u>15,122,742</u>
Excess (deficiency) of revenues over (under) expenditures	<u>608,301</u>	<u>217,051</u>	<u>825,352</u>
Other financing sources (uses):			
Compensation for loss of fixed assets	47,674	-	47,674
Sales of equipment	630	-	630
Operating transfers in	59,000	808,486	867,486
Operating transfers out	-	(808,486)	(808,486)
Total other financing sources (uses)	<u>107,304</u>	<u>-</u>	<u>107,304</u>
Net change in fund balances	715,605	217,051	932,656
Fund balances beginning of year	<u>(79,948)</u>	<u>1,456,394</u>	<u>1,376,446</u>
Fund balances end of year	<u>635,657</u>	<u>1,673,445</u>	<u>2,309,102</u>

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, 2009

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		932,656
<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 exceeded loss on disposal of capital assets and capital outlay expenditures in the current year, as follows:		
Loss on disposal of capital assets	(2,623)	
Expenditures for capital assets	202,221	
Depreciation expense	<u>(714,784)</u>	(515,186)
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.		810,000
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.		12,349
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	149,664	
Other postemployment benefits	<u>(21,811)</u>	<u>127,853</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>1,367,672</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2009

	Nonmajor Enterprise Funds
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	95,125
Inventories	6,840
Capital assets, net of accumulated depreciation	<u>73,652</u>
<b>Total assets</b>	<u>175,617</u>
<b>Liabilities</b>	
Accounts payable	7,562
Salaries and benefits payable	43,615
Deferred revenue	16,734
Net OPEB liability	<u>818</u>
<b>Total liabilities</b>	<u>68,729</u>
<b>Net assets</b>	
Invested in capital assets	73,652
Unrestricted	<u>33,236</u>
<b>Total net assets</b>	<u><u>106,888</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds <u>          </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>578,030</u>
Operating expenses:	
Salaries	291,872
Benefits	64,620
Purchased services	24,980
Supplies	351,556
Depreciation	11,100
Other	80
Total operating expenses	<u>744,208</u>
Operating gain (loss)	<u>(166,178)</u>
Non-operating revenues:	
State sources	7,231
Federal sources	202,085
Interest income	1,077
Total non-operating revenues	<u>210,393</u>
Gain (loss) before transfers	44,215
Transfers in (out)	<u>(59,000)</u>
Net income	(14,785)
Net assets beginning of year	<u>121,673</u>
Net assets end of year	<u><u>106,888</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds
	\$
Cash flows form operating activities:	
Cash received from sale of lunches and breakfasts	526,341
Cash received from childcare services	59,606
Cash payments to employees for services	(352,507)
Cash payments to suppliers for goods or services	(329,144)
Net cash used by operating activities	<u>(95,704)</u>
Cash flows from non-capital financing activities:	
Transfer from other funds	(59,000)
State grants received	7,231
Federal grants received	167,641
Net cash provided by non-capital financing activities	<u>115,872</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>1,077</u>
Net increase (decrease) in cash and cash equivalents	21,245
Cash and cash equivalents at beginning of year	<u>73,880</u>
Cash and cash equivalents at end of year	<u><u>95,125</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(166,178)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	34,739
Depreciation	11,100
Decrease (increase) in inventories	5,323
Decrease (increase) in accounts receivable	60
(Decrease) increase in accounts payable	7,410
(Decrease) increase in salaries and benefits payable	3,167
(Decrease) increase in deferred revenue	7,857
(Decrease) increase in OPEB liability	818
Net cash used by operating activities	<u><u>(95,704)</u></u>

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

During the year ended June 30, 2009, the District received \$34,739 of federal commodities.

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2009

	Private Purpose Trust	Agency
	\$	\$
<b>Assets</b>		
Cash and pooled investments	399	-
Due from other governments	-	6,212
Other receivables	-	70
	<u>399</u>	<u>6,282</u>
<b>Total Assets</b>	<u>399</u>	<u>6,282</u>
<b>Liabilities</b>		
Accounts payable	-	70
Due to other governments	-	6,212
	<u>-</u>	<u>6,282</u>
<b>Total Liabilities</b>	<u>-</u>	<u>6,282</u>
<b>Net Assets</b>		
Reserved for scholarships	<u>399</u>	<u>-</u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	3,100
Interest	10
Total additions	<u>3,110</u>
Deductions:	
Support services:	
Scholarships awarded	<u>3,600</u>
Change in net assets	(490)
Net assets beginning of year	<u>889</u>
Net assets end of year	<u><u>399</u></u>

# ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### 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 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 fund:

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 instructional, support and other costs.

The District's proprietary funds include the Enterprise, School Nutrition Fund and the Childcare Fund. The School Nutrition Fund is used to account for the food service operations and the Childcare 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 judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008, through June 30, 2009, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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 Childcare 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 Lives</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 sick leave benefits when employment with the District ends.

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

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 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, 2009, the District had the following investments:

	Fair Value
	\$
Wells Fargo Advantage Government Money Market Fund	498,752

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, 2009 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	808,486
General Fund	Nonmajor Childcare Fund	59,000

The transfer from Capital Projects Fund to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the funds statutorily required to expend the resources.

The transfer from the Childcare Fund to the General Fund moved prior year childcare profits to the General Fund.

**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.

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, 2009, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	500,000	500,000	-

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>
	%	%
2008-09A	3.500	3.469

## 5. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	669,715	-	-	669,715
Capital assets being depreciated:				
Buildings	24,531,149	90,890	-	24,622,039
Improvements other than buildings	1,252,695	-	-	1,252,695
Furniture and equipment	1,509,229	111,331	53,839	1,566,721
Total capital assets being deprec.	<u>27,293,073</u>	<u>202,221</u>	<u>53,839</u>	<u>27,441,455</u>
Less accumulated depreciation for:				
Buildings	5,712,548	525,148	-	6,237,696
Improvements other than buildings	631,813	62,634	-	694,447
Furniture and equipment	1,144,617	127,002	51,216	1,220,403
Total accumulated depreciation	<u>7,488,978</u>	<u>714,784</u>	<u>51,216</u>	<u>8,152,546</u>
Total capital assets being depreciated, net	<u>19,804,095</u>	<u>(512,563)</u>	<u>2,623</u>	<u>19,288,909</u>
Governmental activities capital assets, net	<u>20,473,810</u>	<u>(512,563)</u>	<u>2,623</u>	<u>19,958,624</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	252,570	-	-	252,570
Less accumulated depreciation	167,819	11,099	-	178,918
Business type activities capital assets, net	<u>84,751</u>	<u>(11,099)</u>	<u>-</u>	<u>73,652</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	17,685
Other	9,745
Support services:	
Instructional support	2,160
Administration services	3,045
Operation and maintenance of plant services	15,401
Transportation	<u>78,966</u>
	127,002
Unallocated depreciation	<u>587,782</u>
 Total depreciation expense – governmental activities	 <u>714,784</u>
 Business type activities:	
Food services	10,799
Childcare services	<u>300</u>
 Total depreciation – business type activities	 <u>11,099</u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	12,610,000	-	480,000	12,130,000	580,000
Revenue bonds	2,185,000	-	330,000	1,855,000	340,000
Termination benefits	149,664	-	149,664	-	-
Net OPEB liability	-	21,811	-	21,811	-
 Total	<u>14,944,664</u>	<u>21,811</u>	<u>959,664</u>	<u>14,006,811</u>	<u>920,000</u>
Business type activities:					
Net OPEB liability	<u>-</u>	<u>818</u>	<u>-</u>	<u>818</u>	<u>-</u>

General Obligation Bonds

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of October 2003			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	3.25	170,000	121,840	291,840
2011	3.50	170,000	116,315	286,315
2012	4.00	180,000	110,365	290,365
2013	4.00	185,000	103,165	288,165
2014	3.65	190,000	95,766	285,766
2015-2019	3.80-4.15	1,080,000	363,342	1,443,342
2020-2023	4.25-4.40	1,055,000	117,298	1,172,298
Total		<u>3,030,000</u>	<u>1,028,091</u>	<u>4,058,091</u>

Year Ending June 30,	Bond Issue of October 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	3.00	410,000	312,757	722,757
2011	3.00	430,000	300,457	730,457
2012	3.25	435,000	287,557	722,557
2013	3.30	450,000	273,420	723,420
2014	3.40	470,000	258,570	728,570
2015-2019	3.55-4.00	2,595,000	1,029,656	3,624,656
2020-2024	4.10-4.30	3,425,000	472,252	3,897,252
Total		<u>8,215,000</u>	<u>2,934,669</u>	<u>11,149,669</u>

Year Ending June 30,	Bond Issue of April 2006			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	-	-	37,613	37,613
2011	-	-	37,613	37,613
2012	-	-	37,613	37,613
2013	-	-	37,613	37,613
2014	-	-	37,613	37,613
2015-2019	-	-	188,065	188,065
2020-2024	-	-	188,065	188,065
2025	4.25	885,000	37,613	922,613
Total		<u>885,000</u>	<u>601,808</u>	<u>1,486,808</u>

## Revenue Bonds

Details of the District's June 30, 2009 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
	%	\$	\$	\$
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		1,855,000	229,000	2,084,000

The District has pledged future statewide 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 statewide 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 34% of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$2,084,000. For the current year, \$417,400 of principal and interest was paid on the bonds and total statewide sales and services tax revenues were \$1,212,982.

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 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$534,820, \$498,842, and \$462,983 respectively, equal to the required contributions for each year.

## 8. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 161 active and 16 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

	\$
Annual required contribution	72,164
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>72,164</u>
Contributions made	<u>49,535</u>
Increase in net OPEB obligation	22,629
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>22,629</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed \$49,535 to the medical plan. Plan members eligible for benefits contributed \$99,071, or 67% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u> \$
June 30, 2009	72,164	69%	22,629

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$557,604, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$557,604. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,832,000, and the ratio of the UAAL to covered payroll was 9.6%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **9. Risk Management**

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

## **10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$484,444 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **11. Deficit Fund Balances**

At June 30, 2009 the District's Nonmajor Enterprise School Nutrition Fund had a deficit unrestricted net assets of \$12,974.

**12. 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 four years are as follows:

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

**13. Construction Commitment**

The District has entered into contracts totaling \$78,311 for roof repairs. Work on the projects had not started as of June 30, 2009.

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, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	8,293,475	579,107	8,872,582	8,641,561	8,641,561	231,021
Intermediate sources	561	-	561	-	-	561
State sources	7,266,572	7,231	7,273,803	7,348,176	7,348,176	(74,373)
Federal sources	387,486	202,085	589,571	380,390	380,390	209,181
Total revenues	<u>15,948,094</u>	<u>788,423</u>	<u>16,736,517</u>	<u>16,370,127</u>	<u>16,370,127</u>	<u>366,390</u>
Expenditures/Expenses:						
Instruction	8,501,667	-	8,501,667	8,669,192	9,000,000	498,333
Support services	4,394,977	13,822	4,408,799	4,431,346	5,000,000	591,201
Non-instructional programs	2,934	730,386	733,320	680,745	750,000	16,680
Other expenditures	2,223,164	-	2,223,164	1,878,759	3,000,000	776,836
Total expenditures/expenses	<u>15,122,742</u>	<u>744,208</u>	<u>15,866,950</u>	<u>15,660,042</u>	<u>17,750,000</u>	<u>1,883,050</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	825,352	44,215	869,567	710,085	(1,379,873)	2,249,440
Other financing sources (uses) net	<u>107,304</u>	<u>(59,000)</u>	<u>48,304</u>	<u>810,080</u>	<u>810,080</u>	<u>(761,776)</u>
Excess (deficiency) of revenue and other financing sources (uses) over (under) expenditures/expenses	932,656	(14,785)	917,871	1,520,165	(569,793)	1,487,664
Balance beginning of year	<u>1,376,446</u>	<u>121,673</u>	<u>1,498,119</u>	<u>1,559,381</u>	<u>1,559,381</u>	<u>(61,262)</u>
Balance end of year	<u><u>2,309,102</u></u>	<u><u>106,888</u></u>	<u><u>2,415,990</u></u>	<u><u>3,079,546</u></u>	<u><u>989,588</u></u>	<u><u>1,426,402</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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 \$2,089,958.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplemental Information

Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
July 1, 2008	-	557,604	557,604	0.0%	5,832,000	9.6%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds					Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects Sales Tax	Debt Service	
	\$	\$	\$	\$	\$	
Cash and pooled investments	410,351	142,615	122,148	538,750	267,657	1,481,521
Receivables:						
Property tax:						
Delinquent	4,514	-	1,306	-	7,408	13,228
Succeeding year	451,868	-	108,297	-	641,157	1,201,322
Accounts	-	2,811	-	-	-	2,811
Due from other governments	40	728	9	204,245	53	205,075
<b>Total assets</b>	<b>866,773</b>	<b>146,154</b>	<b>231,760</b>	<b>742,995</b>	<b>916,275</b>	<b>2,903,957</b>
<b>Liabilities &amp; Fund Balances</b>						
Liabilities:						
Accounts payable	-	3,416	-	16,180	-	19,596
Salaries and benefits payable	-	1,086	-	-	-	1,086
Due to other governments	3,707	706	-	-	-	4,413
Deferred revenue:						
Succeeding year property tax	451,868	-	108,297	-	641,157	1,201,322
Other	-	4,095	-	-	-	4,095
Total liabilities	<u>455,575</u>	<u>9,303</u>	<u>108,297</u>	<u>16,180</u>	<u>641,157</u>	<u>1,230,512</u>
Fund balances:						
Reserved for debt service	-	-	-	275,302	275,118	550,420
Unreserved reported in:						
Special revenue funds	411,198	136,851	123,463	-	-	671,512
Capital projects funds	-	-	-	451,513	-	451,513
Total fund balances	<u>411,198</u>	<u>136,851</u>	<u>123,463</u>	<u>726,815</u>	<u>275,118</u>	<u>1,673,445</u>
<b>Total liabilities and fund balances</b>	<b>866,773</b>	<b>146,154</b>	<b>231,760</b>	<b>742,995</b>	<b>916,275</b>	<b>2,903,957</b>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Revenue Funds					Total
	Management	Student	Physical	Capital	Debt	
	Levy	Activity	Plant and	Projects	Service	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	431,565	-	102,661	1,212,982	576,857	2,324,065
Other	21,626	369,418	1,666	5,616	2,617	400,943
State sources	236	-	54	-	305	595
Total revenues	<u>453,427</u>	<u>369,418</u>	<u>104,381</u>	<u>1,218,598</u>	<u>579,779</u>	<u>2,725,603</u>
Expenditures:						
Current:						
Instruction:						
Regular	148,966	-	-	-	-	148,966
Other	-	317,977	-	-	-	317,977
Support services:						
Instructional staff	26,041	3,065	34,162	-	-	63,268
Administration	71,365	55	-	-	-	71,420
Operation and maintenance	72,628	5,966	25	-	-	78,619
Transportation	8,648	-	78,000	-	-	86,648
Non-instructional programs	2,934	-	-	-	-	2,934
Other expenditures:						
Facilities acquisition	-	-	-	347,350	-	347,350
Long-term debt:						
Principal	-	-	-	-	810,000	810,000
Interest and fiscal charges	-	-	-	-	581,370	581,370
Total expenditures	<u>330,582</u>	<u>327,063</u>	<u>112,187</u>	<u>347,350</u>	<u>1,391,370</u>	<u>2,508,552</u>
Excess (deficiency) of revenues over (under) expenditures	<u>122,845</u>	<u>42,355</u>	<u>(7,806)</u>	<u>871,248</u>	<u>(811,591)</u>	<u>217,051</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	808,486	808,486
Operating transfers out	-	-	-	(808,486)	-	(808,486)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(808,486)</u>	<u>808,486</u>	<u>-</u>
Net change in fund balances	122,845	42,355	(7,806)	62,762	(3,105)	217,051
Fund balances beginning of year	<u>288,353</u>	<u>94,496</u>	<u>131,269</u>	<u>664,053</u>	<u>278,223</u>	<u>1,456,394</u>
Fund balances end of year	<u><u>411,198</u></u>	<u><u>136,851</u></u>	<u><u>123,463</u></u>	<u><u>726,815</u></u>	<u><u>275,118</u></u>	<u><u>1,673,445</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2009

	Nonmajor Enterprise Funds		
	School Nutrition	Childcare	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	46,151	48,974	95,125
Inventories	6,840	-	6,840
Capital assets, net of accumulated depreciation	73,354	298	73,652
<b>Total assets</b>	<b>126,345</b>	<b>49,272</b>	<b>175,617</b>
<b>Liabilities</b>			
Accounts payable	7,562	-	7,562
Salaries and benefits payable	41,031	2,584	43,615
Deferred revenue	16,554	180	16,734
Net OPEB liability	818	-	818
<b>Total liabilities</b>	<b>65,965</b>	<b>2,764</b>	<b>68,729</b>
<b>Net assets</b>			
Invested in capital assets	73,354	298	73,652
Unrestricted	(12,974)	46,210	33,236
<b>Total net assets</b>	<b>60,380</b>	<b>46,508</b>	<b>106,888</b>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	<u>Nonmajor Enterprise Funds</u>		
	<u>School Nutrition</u>	<u>Childcare</u>	<u>Total</u>
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	<u>518,544</u>	<u>59,486</u>	<u>578,030</u>
Operating expenses:			
Salaries	270,815	21,057	291,872
Benefits	61,445	3,175	64,620
Purchased services	24,980	-	24,980
Supplies	349,408	2,148	351,556
Depreciation	10,800	300	11,100
Other	80	-	80
Total operating expenses	<u>717,528</u>	<u>26,680</u>	<u>744,208</u>
Operating gain (loss)	<u>(198,984)</u>	<u>32,806</u>	<u>(166,178)</u>
Non-operating revenue (expenses):			
State sources	7,231	-	7,231
Federal sources	202,085	-	202,085
Interest income	96	981	1,077
Total non-operating revenue	<u>209,412</u>	<u>981</u>	<u>210,393</u>
Gain (loss) before transfers	10,428	33,787	44,215
Transfers in (out)	<u>-</u>	<u>(59,000)</u>	<u>(59,000)</u>
Change in net assets	10,428	(25,213)	(14,785)
Net assets beginning of year	<u>49,952</u>	<u>71,721</u>	<u>121,673</u>
Net assets end of year	<u><u>60,380</u></u>	<u><u>46,508</u></u>	<u><u>106,888</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds		
	School Nutrition	Childcare	Total
	\$	\$	\$
Cash flows form operating activities:			
Cash received from sale of lunches and breakfasts	526,341	-	526,341
Cash received from childcare services	-	59,606	59,606
Cash payments to employees for services	(328,445)	(24,062)	(352,507)
Cash payments to suppliers for goods or services	(326,996)	(2,148)	(329,144)
Net cash (used) provided by operating activities	<u>(129,100)</u>	<u>33,396</u>	<u>(95,704)</u>
Cash flows from non-capital financing activities:			
Transfer from (to) other funds	-	(59,000)	(59,000)
State grants received	7,231	-	7,231
Federal grants received	167,641	-	167,641
Net cash (used) provided by non-capital financing activities	<u>174,872</u>	<u>(59,000)</u>	<u>115,872</u>
Cash flows from capital and related financing activities			
	-	-	-
Cash flows from investing activities:			
Interest on investments	<u>96</u>	<u>981</u>	<u>1,077</u>
Net increase (decrease) in cash and cash equivalents	45,868	(24,623)	21,245
Cash and cash equivalents at beginning of year	<u>283</u>	<u>73,597</u>	<u>73,880</u>
Cash and cash equivalents at end of year	<u><u>46,151</u></u>	<u><u>48,974</u></u>	<u><u>95,125</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>			
Operating gain (loss)	(198,984)	32,806	(166,178)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	34,739	-	34,739
Depreciation	10,800	300	11,100
Decrease (increase) in inventories	5,323	-	5,323
Decrease (increase) in accounts receivable	60	-	60
(Decrease) increase in accounts payable	7,410	-	7,410
(Decrease) increase in salaries and benefits payable	2,997	170	3,167
(Decrease) increase in deferred revenue	7,737	120	7,857
(Decrease) increase in OPEB liability	818	-	818
Net cash (used) provided by operating activities	<u>(129,100)</u>	<u>33,396</u>	<u>(95,704)</u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
<b>HIGH SCHOOL</b>					
Interest	10,720	908	96	(3,783)	7,749
Cross country	(224)	3,881	3,141	(648)	(132)
Golf	4,952	10,156	10,458	1,348	5,998
Weight	-	3,750	1,057	-	2,693
Boys basketball	5,241	19,623	16,030	(2,555)	6,279
Football	(2,960)	40,252	44,224	5,632	(1,300)
Boys soccer	4,311	9,299	9,937	(608)	3,065
Baseball	2,758	18,830	23,217	2,213	584
Boys track	6,501	8,065	12,986	1,278	2,858
Wrestling	3,123	9,565	8,866	161	3,983
Girls basketball	(1,047)	14,329	9,917	(3,284)	81
Volleyball	3,975	17,276	19,222	320	2,349
Girls soccer	(306)	10,574	8,235	(1,636)	397
Softball	931	10,129	9,574	(2,186)	(700)
Girls track	117	6,424	2,647	(3,743)	151
Athletics	34,079	15,962	-	(12,482)	37,559
Button club	63	-	-	-	63
Class of 2006	749	-	1,448	699	-
Class of 2007	1,694	-	1,089	(605)	-
High school prom	2,962	5,411	5,237	-	3,136
Special events	(9,296)	79,108	69,503	14,985	15,294
Facilities planning committee	-	5,425	-	-	5,425
Drama	7,212	12,440	12,905	2,000	8,747
Speech contest	724	-	30	-	694
French club	1,304	-	733	-	571
National Honor Society	620	1,266	1,665	-	221
Danz team	3,706	4,856	4,438	(313)	3,811
SADD	631	60	500	-	191
Thespian club	1,193	204	316	-	1,081
Student council	2,242	1,451	1,586	-	2,107
TSA	1,130	2,297	1,344	-	2,083
Yearbook	2,889	23,714	16,393	-	10,210
Cheerleading	854	18,910	13,994	2,863	8,633
<b>MIDDLE SCHOOL</b>					
8-9 Student Council	1,234	12,529	12,156	-	1,607
Cross country	29	535	493	-	71
Wrestling	2	1,180	1,206	24	-
Girls basketball	71	-	-	-	71
Softball	64	-	-	320	384
6-7 student council	1,823	388	1,598	-	613
Cheerleading	-	621	621	-	-
DeSoto student council	425	-	201	-	224
Total	94,496	369,418	327,063	-	136,851

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, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
<b>Assets</b>				
Cash	-	45,362	45,362	-
Due from other governments	6,458	6,212	6,458	6,212
Other receivables	-	70	-	70
	<u>6,458</u>	<u>51,644</u>	<u>51,820</u>	<u>6,282</u>
Total assets	<u>6,458</u>	<u>51,644</u>	<u>51,820</u>	<u>6,282</u>
<b>Liabilities</b>				
Accounts payable	-	45,362	45,292	70
Due to other governments	6,458	6,212	6,458	6,212
	<u>6,458</u>	<u>51,574</u>	<u>51,750</u>	<u>6,282</u>
Total liabilities	<u>6,458</u>	<u>51,574</u>	<u>51,750</u>	<u>6,282</u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2009	2008	2007	2006	2005	2004	2003
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	6,551,598	6,138,570	5,738,045	5,193,904	4,917,068	4,113,812	3,699,326
Tuition	1,078,218	1,033,535	909,651	876,667	900,135	804,321	774,936
Other	663,659	667,672	604,678	681,128	641,454	400,666	407,345
Intermediate sources	561	1,447	15,265	-	-	-	-
State sources	7,266,572	7,343,742	6,982,446	6,622,221	6,207,251	5,953,621	5,770,463
Federal sources	387,486	210,555	196,662	636,774	184,708	172,597	194,224
Total revenues	<u>15,948,094</u>	<u>15,395,521</u>	<u>14,446,747</u>	<u>14,010,694</u>	<u>12,850,616</u>	<u>11,445,017</u>	<u>10,846,294</u>
Expenditures:							
Instruction:							
Regular	5,548,645	5,489,724	5,379,215	5,034,519	4,963,537	4,727,184	4,581,224
Special	1,897,554	1,916,106	2,081,825	2,001,882	1,890,295	1,755,910	1,579,670
Other	1,055,468	1,058,125	977,658	1,027,035	986,843	758,781	743,090
Support services:							
Student	329,819	298,198	344,458	303,146	307,132	276,733	287,439
Instructional staff	629,557	606,907	704,582	521,458	381,207	361,792	336,600
Administration	1,648,651	1,603,142	1,368,980	1,157,743	977,035	1,105,034	947,754
Operation and maintenance	1,308,175	1,366,621	1,247,423	1,121,868	1,039,748	972,766	931,055
Transportation	478,775	424,417	573,757	554,551	516,087	451,489	424,600
Non-instructional programs	2,934	-	-	-	-	5,125	4,825
Other expenditures:							
Facilities acquisition	347,350	405,032	2,223,773	9,437,295	4,194,736	1,008,414	194,836
Long-term debt:							
Principal	810,000	830,000	490,000	475,000	400,000	395,000	355,000
Interest and other charges	581,370	610,188	592,307	555,362	556,869	65,134	135,548
AEA flowthrough	484,444	466,146	441,043	409,437	389,902	392,113	402,374
Total expenditures	<u>15,122,742</u>	<u>15,074,606</u>	<u>16,425,021</u>	<u>22,599,296</u>	<u>16,603,391</u>	<u>12,275,475</u>	<u>10,924,015</u>

See accompanying independent auditor's report.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
National School Lunch Program (non-cash)	10.555	FY09	34,739
National School Lunch Program	10.555	FY09	145,773
School Breakfast Program	10.553	FY09	21,573
			<u>202,085</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Education Agencies	84.010	FY09	84,006
ARRA - Title I Grants to Local Educational Agencies - Recovery Act	84.389	FY09	8,112
			<u>92,118</u>
Improving Teacher Quality State Grants	84.367	FY09	31,871
Grants for State Assessments and Related Activities	84.369	FY09	9,711
Safe & Drug Free Schools and Communities - State Grants	84.186	FY09	3,178
Career and Technical Education - Basic Grants to States	84.048	FY09	8,663
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY09	114,211
Area Education Agency #11			
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	FY09	70,541
ARRA - Special Education - Grants to States - Recovery Act	84.391	FY09	38,272
			<u>108,813</u>
Special Education State Program Improvement Grants for Children with Disabilities	84.323	FY09	830
Iowa State University			
Enhancing Education through Technology	84.203	FY09	654
Total			<u><u>572,134</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Adel Desoto Minburn Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 25, 2010. 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 II of the accompanying Schedule of Findings and Questioned Costs 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 09-II-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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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 Questioned Costs. 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, including federal awarding agencies and pass-through entities. 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

February 25, 2010

Gary E. Horton CPA

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Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Adel DeSoto Minburn Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Adel Desoto Minburn Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Adel Desoto Minburn Community School District's management. Our responsibility is to express an opinion on Adel Desoto Minburn Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Adel Desoto Minburn Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Adel Desoto Minburn Community School District's compliance with those requirements.

In our opinion, Adel Desoto Minburn Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Adel Desoto Minburn Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Adel Desoto Minburn Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Adel Desoto Minburn Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Adel Desoto Minburn Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we 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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

February 25, 2010



ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

Significant deficiencies:

09-II-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 have compensated for the above conditions by having two persons oversee both disbursements of payroll and accounts payable and the superintendent reviews the bank reconciliations and journal entries monthly.

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, 2009

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Material weaknesses:

No matters were reported.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part IV: Other Findings Related to Statutory Reporting:

- 09-IV-A Certified Budget: Expenditures for the year ended June 30, 2009, did not exceed the amounts budgeted.
- 09-IV-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.
- 09-IV-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.
- 09-IV-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 09-IV-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.
- 09-IV-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 09-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 09-IV-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.
- 09-IV-I Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 09-IV-J Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Other Findings Related to Statutory Reporting (continued):

09-IV-K Statewide Sales and Services Tax: No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

	\$	\$
Beginning balance		-
Statewide sales and services tax revenue		1,212,982
Expenditures/transfers out:		
School infrastructure:		
Land and land improvements	80,304	
Buildings and building improvements	267,046	
Debt service for school infrastructure:		
General obligation debt	391,086	
Revenue debt	417,400	1,155,836
Ending balance		57,146

09-IV-L Deficit Balances: The District School Nutrition Fund had a deficit unrestricted net assets balance of \$12,974 at June 30, 2009.

Recommendation: The District should investigate alternatives to eliminate this deficit.

District Response: The Board is aware of the condition and is working on restoring the School Nutrition Fund to sound financial condition.

Conclusion: Response accepted.