

ADEL DESOTO MINBURN COMMUNITY SCHOOL
DISTRICT

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

June 30, 2010

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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, 2010, which collectively comprise the District's basic financial statements 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, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated January 24, 2011 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 the 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, 2009, 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

January 24, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adel DeSoto Minburn Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues decreased from \$13,222,491 in fiscal 2009 to \$12,897,914 in fiscal 2010, while General Fund expenditures decreased from \$12,614,190 in fiscal 2009 to \$12,321,404 in fiscal 2010. The District's General Fund balance increased from \$635,657 in fiscal 2009 to \$1,260,067 in fiscal 2010, an increase of \$624,410 from the prior year.
- The decrease in General Fund revenues was attributable to the 10% across-the-board cut to state aid during fiscal year 2010. An increase in the cash reserve levy and federal grant revenue helped to recover some of the loss in funding. Measures were taken to reduce expenditures.
- 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. Budget cuts were made for fiscal 2010 to reduce spending and a balanced budget was achieved for 2010 even though there was a 10% across-the-board cut to state aid during fiscal 2010. Increasing the cash reserve levy continued to replenish reserves to help the District improve its financial position.
- Dallas County passed a Local Option Sales and Services Tax of 1¢ on March 25, 2003, by 65% that is projected to provide \$13.4 million to Adel DeSoto Minburn over ten years. That will allow the District to abate property taxes for new construction with sales tax proceeds and allowed the District to drop the Physical Plant and Equipment Levy for 2005-06. The District will use excess sales tax proceeds to upgrade indoor and outdoor facilities.

Overview of the Financial Statements

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

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *government funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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

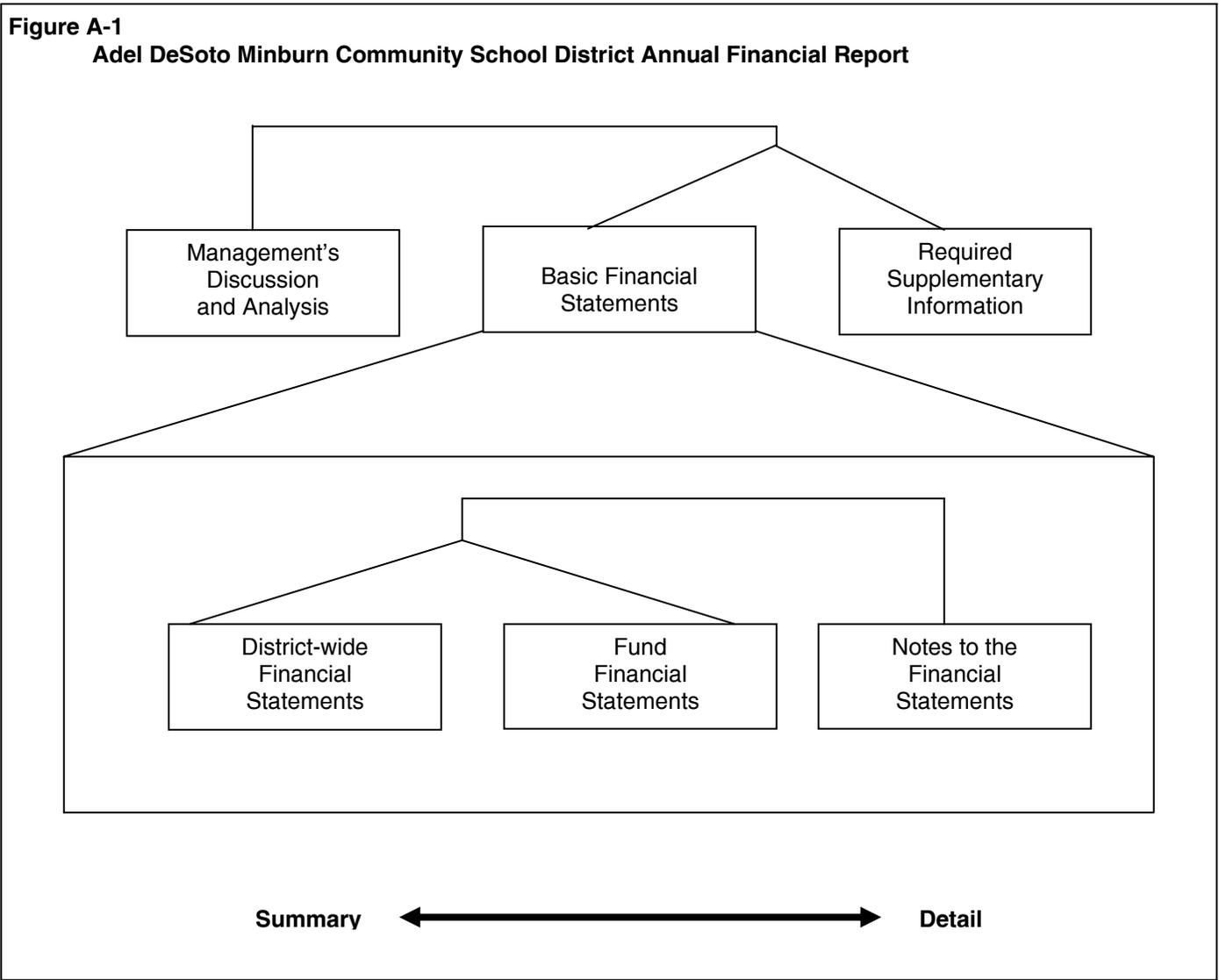


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents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

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

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

Financial Analysis of the District as a Whole

Net assets – Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2010 compared to 2009.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$10,526	\$9,383	\$ 131	\$ 102	\$10,657	\$ 9,485	12.4%
Capital assets	19,040	19,958	63	74	19,103	20,032	-4.6%
Total assets	29,566	29,341	194	176	29,760	29,517	.8%
Long-term obligations	13,302	14,007	2	1	13,304	14,008	-5%
Other liabilities	7,598	7,186	55	68	7,653	7,254	5.5%
Total liabilities	20,900	21,193	57	69	20,957	21,262	-1.4%
Net assets:							
Invested in capital assets, net of related debt	5,975	5,973	63	74	6,038	6,047	-.1%
Restricted	1,644	1,605	-0-	-0-	1,644	1,605	2.4%
Unrestricted	1,046	570	74	33	1,120	603	85.7%
Total net assets	\$8,665	\$8,148	\$ 137	\$ 107	\$ 8,802	\$ 8,255	6.6%

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 did not use ISCAP for fiscal 2010. 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 did not use ISCAP for fiscal 2010.

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, 2010 compared to 2009.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service and sales	\$1,526	\$1,609	\$ 576	\$ 578	\$ 2,102	\$ 2,187	-3.9 %
Operating grants, contributions and restricted interest	2,556	1,774	246	209	2,802	1,983	41.3%
Capital grants, contributions and restricted interest	-0-	-0-	-0-	-0-	-0-	-0-	.0%
General revenues:							
Property Tax	5,630	5,339	-0-	-0-	5,630	5,339	5.5%
SILO	847	1,213	-0-	-0-	847	1,213	-30.2%
Unrestricted state grants	4,680	5,806	-0-	-0-	4,680	5,806	-19.4%
ARRA stabilization grant	0	114	-0-	-0-	-0-	114	-100%
Unrestricted investment earnings	11	91	-0-	1	11	92	-88.8%
Other	(337)	48	-0-	-0-	(337)	48	-802%
Transfers	25	59	(25)	(59)	-0-	-0-	0%
Total revenues and transfers	<u>14,938</u>	<u>16,053</u>	<u>797</u>	<u>729</u>	<u>15,735</u>	<u>16,782</u>	<u>-6.2%</u>
Program expenses:							
Governmental activities:							
Instruction	8,574	8,446	-0-	-0-	8,574	8,446	1.5%
Support services	4,047	4,338	-0-	-0-	4,047	4,338	-6.7%
Non-instructional programs	0	3	767	744	767	747	2.7%
Other expenses	1,800	1,898	-0-	-0-	1,800	1,898	-5.2%
Total expenses	<u>14,421</u>	<u>14,685</u>	<u>767</u>	<u>744</u>	<u>15,188</u>	<u>15,429</u>	<u>-1.6%</u>
Change in net assets	<u>\$ 517</u>	<u>\$1,368</u>	<u>\$30</u>	<u>(\$15)</u>	<u>\$547</u>	<u>\$1,353</u>	<u>-59.6%</u>

Property tax and unrestricted state grants account for 65.5% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 83% of total expenses. The decrease in net assets is tied to decreases in revenues of unrestricted state grants and SILO revenue.

Governmental Activities

Revenues and transfers for governmental activities were \$14,938,370 and expenses were \$14,420,952.

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	\$ 8,574	\$ 5,084
Support Services	4,047	3,976
Non Instruction programs	0	0
Other expenses	1,800	1,278
Totals	\$ 14,421	\$ 10,338

- The cost financed by users of the District’s programs was \$1,526,717.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,556,041.
- The net cost of governmental activities was financed with \$5,629,525 in property tax, \$846,820 in SILO \$4,680,208 in state foundation aid and mobile home taxes, \$11,430 in interest income, and (\$337,371) in other income. (Other income includes capital asset impairment due to closing of buildings.)

Business Type Activities

Revenues and transfers of the District’s business-type activities were \$797,167 and expenses were \$767,063. 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.

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 \$3,031,438 an increase compared to last year’s ending fund balances of \$2,309,102.

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 \$635,657 to \$1,260,067 because the District was able to trim expenditures and preserve the cash reserve levy. Even though the negotiated salary and benefit settlements increased, budget cuts and increased revenues offset costs.
- The Management Fund balance increased from \$411,198 to \$659,865 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 \$123,463 to \$104,128. 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 decreased from \$726,815 to \$541,907 because of reduced sales tax revenue.

Proprietary Fund Highlights

- The School Nutrition Fund net assets increased from \$60,380 at June 30, 2009, to 97,052 at June 30, 2010, representing an increase of approximately 60.7 percent. While participation is constant, enrollment has had little growth; even so, revenues are now increasing to cover increases for expenditures. The increase in net assets was due to increased revenues from lunch prices and higher federal reimbursement rates.
- The Day Care Fund net assets decreased from \$46,508 at June 30, 2009, to \$39,940 at June 30, 2010, representing a decrease of approximately 14%. 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 changes in expenditures associated with instruction, support services, noninstructional programs, and other categories. 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 \$963,483 less than the total budgeted receipts, a variance of 5.6%. The most significant change resulted in the District receiving less in various 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 PPEL funds. The District then manages or controls each fund's spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year, as it did for fiscal 2010.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2010, the District had invested \$19 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 4.6 percent from last year. More detailed information is available in Note 4 to the financial statements. Depreciation expense for the year was \$734,074.

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
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 670	670	\$ -0-	-0-	\$ 670	670	0.0%
Buildings	17,534	18,385	-0-	-0-	17,534	18,385	-4.6%
Improvements other than buildings	496	558	-0-	-0-	496	558	-11.1%
Furniture and equipment	340	346	63	73	403	419	-3.9%
Totals	\$ 19,040	19,959	\$ 63	73	\$ 19,103	20,032	-4.6%

Long-Term Debt

At June 30, 2010, the District had \$13,302,896 in outstanding general obligation bond debt and other long-term debt. This represents a decrease of approximately 5 percent from last year. (See Figure A-7)

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 5 to the financial statements.

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

	Total School District		Total Change
	2010	2009	2009-2010
General obligation bonds	\$ 11,550	\$ 12,130	-4.8%
Revenue bonds	1,515	1,855	-18.3%
Early retirement	175	0	100.0%
Net OPEB liability	63	22	186.4%
Totals	\$ 13,303	\$ 14,007	-5%

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 October 2010 enrollment remained stable.
- The District's declining financial position spurred budget cuts for fiscal 2009, 2010, and 2011 to balance the budget. The District levied a cash reserve of \$395,918 to continue to replenish reserves in 2009. The district levied a cash reserve of \$480,069 for fiscal 2010 and \$713,179 for fiscal 2011. 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 2010 budget. Further decreased state revenues precipitated another across-the-board cut in state aid in fiscal 10, requiring more cuts for fiscal 11. As part of the budget cutting process in fiscal 11, the District closed the Minburn Elementary School and the Adel 6-7 Middle School.
- The District will negotiate a new agreement during fiscal 2011 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 affects 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 Nancy Gee, 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, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	3,988,898	121,596	4,110,494
Receivables:			
Property tax:			
Delinquent	48,722	-	48,722
Succeeding year	6,082,456	-	6,082,456
Accounts	8,802	95	8,897
Due from other governments	397,629	-	397,629
Inventories	-	9,057	9,057
Capital assets, net of accumulated depreciation	19,040,020	63,237	19,103,257
Total assets	29,566,527	193,985	29,760,512
Liabilities			
Accounts payable	42,368	-	42,368
Salaries and benefits payable	1,247,326	38,662	1,285,988
Due to other governments	20,330	-	20,330
Accrued interest payable	102,896	-	102,896
Deferred revenue:			
Succeeding year property tax	6,082,456	-	6,082,456
Other	102,589	15,984	118,573
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	600,000	-	600,000
Revenue bonds payable	355,000	-	355,000
Termination benefits	175,301	-	175,301
Portion due after one year:			
General obligation bonds payable	10,950,000	-	10,950,000
Revenue bonds payable	1,160,000	-	1,160,000
Net OPEB liability	62,595	2,347	64,942
Total liabilities	20,900,861	56,993	20,957,854

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	5,975,020	63,237	6,038,257
Restricted for:			
Categorical funding	151,314	-	151,314
Management levy	484,564	-	484,564
Physical plant and equipment levy	104,128	-	104,128
Other special revenue purposes	193,507	-	193,507
Sales tax capital projects	266,577	-	266,577
Debt service	444,398	-	444,398
Unrestricted	1,046,158	73,755	1,119,913
Total net assets	<u>8,665,666</u>	<u>136,992</u>	<u>8,802,658</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	5,572,253	931,153	1,589,865	-
Special	1,821,526	235,154	297,712	-
Other	1,179,952	324,597	110,897	-
	<u>8,573,731</u>	<u>1,490,904</u>	<u>1,998,474</u>	<u>-</u>
Support services:				
Student	399,319	-	28,900	-
Instructional staff	405,573	-	-	-
Administration	1,532,560	-	-	-
Operation and maintenance of plant	1,211,159	16,233	-	-
Transportation	498,077	19,580	6,324	-
	<u>4,046,688</u>	<u>35,813</u>	<u>35,224</u>	<u>-</u>
Non-instructional programs	<u>282</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	144,960	-	-	-
Long-term debt interest	541,839	-	323	-
AEA flowthrough	522,020	-	522,020	-
Depreciation (unallocated)*	591,432	-	-	-
	<u>1,800,251</u>	<u>-</u>	<u>522,343</u>	<u>-</u>
Total governmental activities	<u>14,420,952</u>	<u>1,526,717</u>	<u>2,556,041</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	729,535	519,838	246,301	-
Childcare	37,528	55,759	-	-
Total business type activities	<u>767,063</u>	<u>575,597</u>	<u>246,301</u>	<u>-</u>
Total	<u>15,188,015</u>	<u>2,102,314</u>	<u>2,802,342</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Capital asset impairment				
Total general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(3,051,235)	-	(3,051,235)
(1,288,660)	-	(1,288,660)
(744,458)	-	(744,458)
<u>(5,084,353)</u>	<u>-</u>	<u>(5,084,353)</u>
(370,419)	-	(370,419)
(405,573)	-	(405,573)
(1,532,560)	-	(1,532,560)
(1,194,926)	-	(1,194,926)
(472,173)	-	(472,173)
<u>(3,975,651)</u>	<u>-</u>	<u>(3,975,651)</u>
(282)	-	(282)
(144,960)	-	(144,960)
(541,516)	-	(541,516)
-	-	-
(591,432)	-	(591,432)
<u>(1,277,908)</u>	<u>-</u>	<u>(1,277,908)</u>
<u>(10,338,194)</u>	<u>-</u>	<u>(10,338,194)</u>
-	36,604	36,604
-	18,231	18,231
-	54,835	54,835
<u>(10,338,194)</u>	<u>54,835</u>	<u>(10,283,359)</u>
4,880,489	-	4,880,489
640,799	-	640,799
108,237	-	108,237
846,820	-	846,820
4,680,208	-	4,680,208
11,430	269	11,699
56,838	-	56,838
(394,209)	-	(394,209)
10,830,612	269	10,830,881
25,000	(25,000)	-
<u>10,855,612</u>	<u>(24,731)</u>	<u>10,830,881</u>
517,418	30,104	547,522
8,148,248	106,888	8,255,136
<u>8,665,666</u>	<u>136,992</u>	<u>8,802,658</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Debt Service	Management	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	2,349,770	266,257	661,083	711,788	3,988,898
Receivables:					
Property tax:					
Delinquent	38,231	5,636	3,903	952	48,722
Succeeding year	4,785,052	691,143	489,521	116,740	6,082,456
Accounts	8,273	-	299	230	8,802
Due from other governments	261,963	71	55	135,540	397,629
Total assets	7,443,289	963,107	1,154,861	965,250	10,526,507
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	32,453	-	5,475	4,440	42,368
Salaries and benefits payable	1,246,388	-	-	938	1,247,326
Due to other governments	20,330	-	-	-	20,330
Deferred revenue:					
Succeeding year property tax	4,785,052	691,143	489,521	116,740	6,082,456
Other	98,999	-	-	3,590	102,589
Total liabilities	6,183,222	691,143	494,996	125,708	7,495,069
Fund balances:					
Reserved for:					
Categorical funding	151,314	-	-	-	151,314
Debt service	-	271,964	-	275,330	547,294
Unreserved reported in:					
General fund	1,108,753	-	-	-	1,108,753
Special revenue funds	-	-	659,865	297,635	957,500
Capital projects funds	-	-	-	266,577	266,577
Total fund balances	1,260,067	271,964	659,865	839,542	3,031,438
Total liabilities and fund balances	7,443,289	963,107	1,154,861	965,250	10,526,507

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

\$

Total fund balances of governmental funds (Exhibit C)	3,031,438
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	19,040,020
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.	(102,896)
Long-term liabilities, including bonds payable, termination benefits and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(13,302,896)</u>
Net assets of governmental activities (Exhibit A)	<u><u>8,665,666</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Debt Service	Management	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	4,428,350	640,799	452,139	955,057	6,476,345
Tuition	1,048,627	-	-	-	1,048,627
Other	222,452	323	22,341	313,906	559,022
Intermediate sources	5,975	-	-	-	5,975
State sources	6,119,959	325	237	55	6,120,576
Federal sources	1,072,551	-	-	-	1,072,551
Total revenues	<u>12,897,914</u>	<u>641,447</u>	<u>474,717</u>	<u>1,269,018</u>	<u>15,283,096</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,318,874	-	75,818	-	5,394,692
Special	1,812,095	-	-	-	1,812,095
Other	924,930	-	-	247,363	1,172,293
	<u>8,055,899</u>	<u>-</u>	<u>75,818</u>	<u>247,363</u>	<u>8,379,080</u>
Support services:					
Student	398,045	-	-	-	398,045
Instructional staff	413,792	-	-	4,668	418,460
Administration	1,465,510	-	14,110	13,060	1,492,680
Operation and maintenance of plant	1,061,001	-	126,408	30,958	1,218,367
Transportation	405,137	-	9,432	86,298	500,867
	<u>3,743,485</u>	<u>-</u>	<u>149,950</u>	<u>134,984</u>	<u>4,028,419</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>282</u>	<u>-</u>	<u>282</u>
Other expenditures:					
Facilities acquisition	-	-	-	218,170	218,170
Long-term debt:					
Principal	-	920,000	-	-	920,000
Interest and fiscal charges	-	551,610	-	-	551,610
AEA flowthrough	522,020	-	-	-	522,020
	<u>522,020</u>	<u>1,471,610</u>	<u>-</u>	<u>218,170</u>	<u>2,211,800</u>
Total expenditures	<u>12,321,404</u>	<u>1,471,610</u>	<u>226,050</u>	<u>600,517</u>	<u>14,619,581</u>
Excess (deficiency) of revenues over	<u>576,510</u>	<u>(830,163)</u>	<u>248,667</u>	<u>668,501</u>	<u>663,515</u>
Other financing sources (uses):					
Compensation for loss of fixed assets	20,100	-	-	10,921	31,021
Sales of equipment	2,800	-	-	-	2,800
Operating transfers in	25,000	827,009	-	-	852,009
Operating transfers out	-	-	-	(827,009)	(827,009)
Total other financing sources (uses)	<u>47,900</u>	<u>827,009</u>	<u>-</u>	<u>(816,088)</u>	<u>58,821</u>
Net change in fund balances	624,410	(3,154)	248,667	(147,587)	722,336
Fund balances beginning of year	<u>635,657</u>	<u>275,118</u>	<u>411,198</u>	<u>987,129</u>	<u>2,309,102</u>
Fund balances end of year	<u>1,260,067</u>	<u>271,964</u>	<u>659,865</u>	<u>839,542</u>	<u>3,031,438</u>

See notes to financial statements.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		722,336
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital asset impairment exceeded loss on disposal of capital assets and capital outlay expenditures in the current year, as follows:		
Loss on disposal of capital assets	(9,338)	
Capital asset impairment	(394,209)	
Expenditures for capital assets	208,602	
Depreciation expense	<u>(723,659)</u>	(918,604)
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.		920,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		9,771
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	(175,301)	
Other postemployment benefits	<u>(40,784)</u>	<u>(216,085)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>517,418</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	121,596
Accounts receivable	95
Inventories	9,057
Capital assets, net of accumulated depreciation	<u>63,237</u>
Total assets	<u>193,985</u>
Liabilities	
Salaries and benefits payable	38,662
Deferred revenue	15,984
Net OPEB liability	<u>2,347</u>
Total liabilities	<u>56,993</u>
Net assets	
Invested in capital assets	63,237
Unrestricted	<u>73,755</u>
Total net assets	<u><u>136,992</u></u>

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

Year ended June 30, 2010

	Nonmajor Enterprise Funds <u> </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>575,597</u>
Operating expenses:	
Salaries	312,241
Benefits	70,936
Purchased services	17,248
Supplies	356,223
Depreciation	10,415
Total operating expenses	<u>767,063</u>
Operating gain (loss)	<u>(191,466)</u>
Non-operating revenues:	
State sources	6,703
Federal sources	239,598
Interest income	269
Total non-operating revenues	<u>246,570</u>
Gain (loss) before transfers	55,104
Transfers in (out)	<u>(25,000)</u>
Net income	30,104
Net assets beginning of year	<u>106,888</u>
Net assets end of year	<u><u>136,992</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows form operating activities:	
Cash received from sale of lunches and breakfasts	519,268
Cash received from childcare services	55,484
Cash payments to employees for services	(386,601)
Cash payments to suppliers for goods or services	(340,877)
Net cash used by operating activities	<u>(152,726)</u>
Cash flows from non-capital financing activities:	
Transfer from other funds	(25,000)
State grants received	6,703
Federal grants received	197,225
Net cash provided by non-capital financing activities	<u>178,928</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>269</u>
Net increase (decrease) in cash and cash equivalents	26,471
Cash and cash equivalents at beginning of year	<u>95,125</u>
Cash and cash equivalents at end of year	<u><u>121,596</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(191,466)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	42,373
Depreciation	10,415
Decrease (increase) in inventories	(2,217)
Decrease (increase) in accounts receivable	(95)
(Decrease) increase in accounts payable	(7,562)
(Decrease) increase in salaries and benefits payable	(4,953)
(Decrease) increase in deferred revenue	(750)
(Decrease) increase in OPEB liability	1,529
Net cash used by operating activities	<u><u>(152,726)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$42,373 of federal commodities.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
Assets		
Cash and pooled investments	550	-
Liabilities		
	<u>-</u>	<u>-</u>
Net Assets		
Reserved for scholarships	<u>550</u>	<u>-</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	2,750
Interest	<u>1</u>
Total additions	2,751
Deductions:	
Support services:	
Scholarships awarded	<u>2,600</u>
Change in net assets	151
Net assets beginning of year	<u>399</u>
Net assets end of year	<u><u>550</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

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 non-fiduciary 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 non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The Management Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009, through June 30, 2010, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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 and intangibles, 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
Intangible assets	150,000
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
Intangible assets	3-10 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, 2010 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, 2010, the District had the following investments:

	Fair Value \$
Wells Fargo Advantage Government Money Market Fund	499,509

Credit risk: The investment in the money market mutual fund was not rated.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount \$
Debt Service Fund	Nonmajor Governmental Capital Projects Fund	827,009
General Fund	Nonmajor Enterprise Childcare Fund	25,000

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. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Land	669,715	-	-	669,715
Construction in progress	-	24,143	-	24,143
Total capital assets not being depr.	<u>669,715</u>	<u>24,143</u>	<u>-</u>	<u>693,858</u>
Capital assets being depreciated:				
Buildings	24,622,039	49,067	1,299,098	23,372,008
Improvements other than buildings	1,252,695	-	-	1,252,695
Furniture and equipment	1,566,721	135,392	127,783	1,574,330
Total capital assets being deprec.	<u>27,441,455</u>	<u>184,459</u>	<u>1,426,881</u>	<u>26,199,033</u>
Less accumulated depreciation for:				
Buildings	6,237,696	528,808	904,889	5,861,615
Improvements other than buildings	694,447	62,624	-	757,071
Furniture and equipment	1,220,403	132,227	118,445	1,234,185
Total accumulated depreciation	<u>8,152,546</u>	<u>723,659</u>	<u>1,023,334</u>	<u>7,852,871</u>

Total capital assets being depreciated, net	<u>19,288,909</u>	<u>(539,200)</u>	<u>403,547</u>	<u>18,346,162</u>
Governmental activities capital assets, net	<u>19,958,624</u>	<u>(515,057)</u>	<u>403,547</u>	<u>19,040,020</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	252,570	-	-	252,570
Less accumulated depreciation	<u>178,918</u>	<u>10,415</u>	<u>-</u>	<u>189,333</u>
Business type activities capital assets, net	<u>73,652</u>	<u>(10,415)</u>	<u>-</u>	<u>63,237</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	15,644
Other	10,715
Support services:	
Instructional support	6,114
Administration services	3,045
Operation and maintenance of plant services	14,221
Transportation	<u>82,488</u>
	132,227
Unallocated depreciation	<u>591,432</u>
Total depreciation expense – governmental activities	<u><u>723,659</u></u>
Business type activities:	
Food services	10,117
Childcare services	<u>298</u>
Total depreciation – business type activities	<u><u>10,415</u></u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	12,130,000	-	580,000	11,550,000	600,000
Revenue bonds	1,855,000	-	340,000	1,515,000	355,000
Termination benefits	-	175,301	-	175,301	175,301
Net OPEB liability	21,811	40,784	-	62,595	-
Total	14,006,811	216,085	920,000	13,302,896	1,130,301

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	818	1,529	-	2,347	-

Termination Benefits

The District offered a voluntary early retirement plan for employees for fiscal year 2010. The plan was only offered to employees for one year. Eligible employees must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

An employee granted early retirement will receive an annuity equal to 44% of the employee's regular salary. The annuity payment will be made in September 2010.

At June 30, 2010, the District has obligations to eight participants with a total liability of \$175,301. The District did not pay any early retirement benefits during the year ended June 30, 2010.

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of October 2003			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	3.80	200,000	88,830	288,830
2016-2020	3.90-4.25	1,130,000	320,170	1,450,170
2021-2023	4.25-4.40	805,000	71,641	876,641
Total		2,860,000	906,252	3,766,252

Bond Issue of October 2004				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	3.00	430,000	300,457	730,457
2012	3.25	435,000	287,557	722,557
2013	3.30	450,000	273,420	723,420
2014	3.40	470,000	258,570	728,570
2015	3.55	480,000	242,590	722,590
2016-2020	3.65-4.10	2,690,000	931,342	3,621,342
2021-2024	4.15-4.30	2,850,000	327,976	3,177,976
Total		<u>7,805,000</u>	<u>2,621,912</u>	<u>10,426,912</u>

Bond Issue of April 2006				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	-	-	37,613	37,613
2012	-	-	37,613	37,613
2013	-	-	37,613	37,613
2014	-	-	37,613	37,613
2015	-	-	37,613	37,613
2016-2020	-	-	188,065	188,065
2021-2025	4.25	885,000	188,065	1,073,065
Total		<u>885,000</u>	<u>564,195</u>	<u>1,449,195</u>

Revenue Bonds

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of May 2006				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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		<u>1,515,000</u>	<u>154,800</u>	<u>1,669,800</u>

The District has pledged future statewide sales, services and use 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, services and use 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 50% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,669,800. For the current year, \$414,200 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$846,820.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the statewide sales, services and use 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 statewide sales, services and use tax revenue for that purpose. The reserve fund is part of the Capital Projects Fund.

6. 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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$555,792, \$534,820, and \$498,842 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

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 Seabury. 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, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	80,908
Interest on net OPEB obligation	566
Adjustment to annual required contribution	<u>1,055</u>
Annual OPEB cost	82,529
Contributions made	<u>40,216</u>
Increase in net OPEB obligation	42,313
Net OPEB obligation beginning of year	<u>22,629</u>
 Net OPEB obligation end of year	 <u>64,942</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, 2010.

For the year ended June 30, 2010, the District contributed \$40,216 to the medical plan. Plan members eligible for benefits contributed \$80,432, 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, 2010 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, 2010	82,529	49%	64,942

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$622,057, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$622,057. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,805,000, and the ratio of the UAAL to covered payroll was 9.1%. As of June 30, 2010, 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 Projected to 2000, 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 over 30 years.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$522,020 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. 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:

Year Ended June 30	Lease Payment
	\$
2011	11,847
2012	11,847
2013	6,338
2014	2,403

11. Construction Commitment

The District has entered into a \$95,180 contract for High School renovations. As of June 30, 2010 costs of \$32,531 had been incurred against the contracts. The balances remaining at June 30, 2010 will be paid as work on the project progresses.

12. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

Program	Amount
	\$
Teacher salary supplement	70,729
Core curriculum	38,584
Educator quality, professional development	24,048
Limited English proficiency	8,472
Market factor	8,680
Other	801
	151,314

13. Capital Asset Impairment

During fiscal year 2010 the District closed the elementary building in Minburn and the middle school building in Adel. A \$394,209 impairment loss has been recorded to reduce the basis in these two buildings.

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, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	8,083,994	575,866	8,659,860	9,060,009	9,060,009	(400,149)
Intermediate sources	5,975	-	5,975	-	-	5,975
State sources	6,120,576	6,703	6,127,279	7,584,737	7,584,737	(1,457,458)
Federal sources	1,072,551	239,598	1,312,149	424,000	424,000	888,149
Total revenues	<u>15,283,096</u>	<u>822,167</u>	<u>16,105,263</u>	<u>17,068,746</u>	<u>17,068,746</u>	<u>(963,483)</u>
Expenditures/Expenses:						
Instruction	8,379,080	-	8,379,080	8,612,602	8,880,000	500,920
Support services	4,028,419	53,395	4,081,814	4,352,485	4,600,000	518,186
Non-instructional programs	282	713,668	713,950	700,100	750,000	36,050
Other expenditures	2,211,800	-	2,211,800	2,527,848	3,000,000	788,200
Total expenditures/expenses	<u>14,619,581</u>	<u>767,063</u>	<u>15,386,644</u>	<u>16,193,035</u>	<u>17,230,000</u>	<u>1,843,356</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	663,515	55,104	718,619	875,711	(161,254)	879,873
Other financing sources (uses) net	<u>58,821</u>	<u>(25,000)</u>	<u>33,821</u>	<u>-</u>	<u>-</u>	<u>33,821</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	722,336	30,104	752,440	875,711	(161,254)	913,694
Balance beginning of year	<u>2,309,102</u>	<u>106,888</u>	<u>2,415,990</u>	<u>1,964,912</u>	<u>1,964,912</u>	<u>451,078</u>
Balance end of year	<u><u>3,031,438</u></u>	<u><u>136,992</u></u>	<u><u>3,168,430</u></u>	<u><u>2,840,623</u></u>	<u><u>1,803,658</u></u>	<u><u>1,364,772</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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 \$1,036,965.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplemental Information

Year Ended June 30,	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) %
2009	July 1, 2008	-	557,604	557,604	0.0%	5,832,000	9.6%
2010	July 1, 2008	-	622,057	622,057	0.0%	6,805,000	9.1%

See Note 7 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, 2010

Assets	Special Revenue Funds			Total
	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects Sales Tax	
	\$	\$	\$	\$
Cash and pooled investments	197,880	103,164	410,744	711,788
Receivables:				
Property tax:				
Delinquent	-	952	-	952
Succeeding year	-	116,740	-	116,740
Accounts	230	-	-	230
Due from other governments	1,153	12	134,375	135,540
Total assets	199,263	220,868	545,119	965,250
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	1,228	-	3,212	4,440
Salaries and benefits payable	938	-	-	938
Deferred revenue:				
Succeeding year property tax	-	116,740	-	116,740
Other	3,590	-	-	3,590
Total liabilities	<u>5,756</u>	<u>116,740</u>	<u>3,212</u>	<u>125,708</u>
Fund balances:				
Reserved for debt service	-	-	275,330	275,330
Unreserved reported in:				
Special revenue funds	193,507	104,128	-	297,635
Capital projects funds	-	-	266,577	266,577
Total fund balances	<u>193,507</u>	<u>104,128</u>	<u>541,907</u>	<u>839,542</u>
Total liabilities and fund balances	199,263	220,868	545,119	965,250

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds			Total
	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects Sales Tax	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	108,237	846,820	955,057
Other	311,094	282	2,530	313,906
State sources	-	55	-	55
Total revenues	<u>311,094</u>	<u>108,574</u>	<u>849,350</u>	<u>1,269,018</u>
Expenditures:				
Current:				
Instruction:				
Other	247,363	-	-	247,363
Support services:				
Instructional staff	480	4,188	-	4,668
Administration	125	12,935	-	13,060
Operation and maintenance of plant	6,470	24,488	-	30,958
Transportation	-	86,298	-	86,298
Other expenditures:				
Facilities acquisition	-	-	218,170	218,170
Total expenditures	<u>254,438</u>	<u>127,909</u>	<u>218,170</u>	<u>600,517</u>
Excess (deficiency) of revenues over (under) expenditures	<u>56,656</u>	<u>(19,335)</u>	<u>631,180</u>	<u>668,501</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	-	-	10,921	10,921
Operating transfers out	-	-	(827,009)	(827,009)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(816,088)</u>	<u>(816,088)</u>
Net change in fund balances	56,656	(19,335)	(184,908)	(147,587)
Fund balances beginning of year	<u>136,851</u>	<u>123,463</u>	<u>726,815</u>	<u>987,129</u>
Fund balances end of year	<u><u>193,507</u></u>	<u><u>104,128</u></u>	<u><u>541,907</u></u>	<u><u>839,542</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2010

	Nonmajor Enterprise Funds		
	School Nutrition	Childcare	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	78,579	43,017	121,596
Accounts receivable	-	95	95
Inventories	9,057	-	9,057
Capital assets, net of accumulated depreciation	63,237	-	63,237
Total assets	<u>150,873</u>	<u>43,112</u>	<u>193,985</u>
Liabilities			
Salaries and benefits payable	35,490	3,172	38,662
Deferred revenue	15,984	-	15,984
Net OPEB liability	2,347	-	2,347
Total liabilities	<u>53,821</u>	<u>3,172</u>	<u>56,993</u>
Net assets			
Invested in capital assets	63,237	-	63,237
Unrestricted	33,815	39,940	73,755
Total net assets	<u>97,052</u>	<u>39,940</u>	<u>136,992</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor Enterprise Funds		
	School Nutrition	Childcare	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	<u>519,838</u>	<u>55,759</u>	<u>575,597</u>
Operating expenses:			
Salaries	291,297	20,944	312,241
Benefits	65,946	4,990	70,936
Purchased services	8,248	9,000	17,248
Supplies	353,927	2,296	356,223
Depreciation	10,117	298	10,415
Total operating expenses	<u>729,535</u>	<u>37,528</u>	<u>767,063</u>
Operating gain (loss)	<u>(209,697)</u>	<u>18,231</u>	<u>(191,466)</u>
Non-operating revenue (expenses):			
State sources	6,703	-	6,703
Federal sources	239,598	-	239,598
Interest income	68	201	269
Total non-operating revenue	<u>246,369</u>	<u>201</u>	<u>246,570</u>
Gain (loss) before transfers	36,672	18,432	55,104
Transfers in (out)	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
Change in net assets	36,672	(6,568)	30,104
Net assets beginning of year	<u>60,380</u>	<u>46,508</u>	<u>106,888</u>
Net assets end of year	<u><u>97,052</u></u>	<u><u>39,940</u></u>	<u><u>136,992</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2010

	<u>Nonmajor Enterprise Funds</u>		
	<u>School</u>		<u>Total</u>
	<u>Nutrition</u>	<u>Childcare</u>	
	\$	\$	\$
Cash flows form operating activities:			
Cash received from sale of lunches and breakfasts	519,268	-	519,268
Cash received from childcare services	-	55,484	55,484
Cash payments to employees for services	(361,255)	(25,346)	(386,601)
Cash payments to suppliers for goods or services	(329,581)	(11,296)	(340,877)
Net cash (used) provided by operating activities	<u>(171,568)</u>	<u>18,842</u>	<u>(152,726)</u>
Cash flows from non-capital financing activities:			
Transfer from (to) other funds	-	(25,000)	(25,000)
State grants received	6,703	-	6,703
Federal grants received	197,225	-	197,225
Net cash (used) provided by non-capital financing activities	<u>203,928</u>	<u>(25,000)</u>	<u>178,928</u>
Cash flows from capital and related financing activities	-	-	-
Cash flows from investing activities:			
Interest on investments	68	201	269
Net increase (decrease) in cash and cash equivalents	32,428	(5,957)	26,471
Cash and cash equivalents at beginning of year	<u>46,151</u>	<u>48,974</u>	<u>95,125</u>
Cash and cash equivalents at end of year	<u>78,579</u>	<u>43,017</u>	<u>121,596</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(209,697)	18,231	(191,466)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	42,373	-	42,373
Depreciation	10,117	298	10,415
Decrease (increase) in inventories	(2,217)	-	(2,217)
Decrease (increase) in accounts receivable	-	(95)	(95)
(Decrease) increase in accounts payable	(7,562)	-	(7,562)
(Decrease) increase in salaries and benefits payable	(5,541)	588	(4,953)
(Decrease) increase in deferred revenue	(570)	(180)	(750)
(Decrease) increase in OPEB liability	1,529	-	1,529
Net cash (used) provided by operating activities	<u>(171,568)</u>	<u>18,842</u>	<u>(152,726)</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance End
	Beginning of Year				
	\$	\$	\$	\$	\$
HIGH SCHOOL					
Interest	7,749	325	-	-	8,074
Cross country	(132)	3,032	2,278	116	738
Golf	5,998	9,883	7,649	(2,920)	5,312
Weight	2,693	2,700	3,867	-	1,526
Boys basketball	6,279	11,997	7,400	(4,868)	6,008
Football	(1,300)	43,383	31,145	(12,834)	(1,896)
Boys soccer	3,065	5,587	6,624	(27)	2,001
Baseball	584	14,907	17,130	1,212	(427)
Boys track	2,858	10,344	8,456	(3,261)	1,485
Wrestling	3,983	11,788	10,547	(501)	4,723
Girls basketball	81	11,705	10,028	(2,051)	(293)
Volleyball	2,349	18,863	16,436	(6,333)	(1,557)
Girls soccer	397	12,043	10,157	(1,203)	1,080
Softball	(700)	7,982	6,815	310	777
Girls track	151	9,166	5,999	(2,846)	472
Athletics	37,559	3,800	-	40,065	81,424
Button club	63	-	-	-	63
High school prom	3,136	5,009	5,559	-	2,586
Special events	15,294	82,008	57,886	-	39,416
Facilities planning committee	5,425	5,000	-	-	10,425
Drama	8,747	5,334	2,645	-	11,436
Speech contest	694	605	302	-	997
French club	571	-	-	-	571
National Honor Society	221	1,365	1,269	-	317
Danz team	3,811	3,381	3,714	(2,192)	1,286
SADD	191	129	-	-	320
Thespian club	1,081	569	593	-	1,057
Student council	2,107	3,707	4,625	-	1,189
TSA	2,083	2,625	3,416	-	1,292
Yearbook	10,210	17,734	17,681	-	10,263
Cheerleading	8,633	3,170	7,238	(2,142)	2,423
MIDDLE SCHOOL					
8-9 Student Council	1,607	747	1,704	-	650
Cross country	71	-	-	(71)	-
Girls basketball	71	-	-	(71)	-
Softball	384	-	-	(383)	1
6-7 student council	613	2,206	2,884	-	(65)
DeSoto student council	224	-	391	-	(167)
Total	136,851	311,094	254,438	-	193,507

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, 2010

	Sales Tax Shared with City of Adel <u> </u> \$	Regional Tournaments <u> </u> \$	Total <u> </u> \$
Balance beginning of year	-	-	-
Additions:			
Collections	25,970	20,695	46,665
Deductions:			
Miscellaneous	<u>25,970</u>	<u>20,695</u>	<u>46,665</u>
Balance end of year	<u> </u> <u> </u> -	<u> </u> <u> </u> -	<u> </u> <u> </u> -

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2010	2009	2008	2007	2006	2005	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	6,476,345	6,551,598	6,138,570	5,738,045	5,193,904	4,917,068	4,113,812	3,699,326
Tuition	1,048,627	1,078,218	1,033,535	909,651	876,667	900,135	804,321	774,936
Other	559,022	663,659	667,672	604,678	681,128	641,454	400,666	407,345
Intermediate sources	5,975	561	1,447	15,265	-	-	-	-
State sources	6,120,576	7,266,572	7,343,742	6,982,446	6,622,221	6,207,251	5,953,621	5,770,463
Federal sources	1,072,551	387,486	210,555	196,662	636,774	184,708	172,597	194,224
Total revenues	<u>15,283,096</u>	<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	5,394,692	5,548,645	5,489,724	5,379,215	5,034,519	4,963,537	4,727,184	4,581,224
Special	1,812,095	1,897,554	1,916,106	2,081,825	2,001,882	1,890,295	1,755,910	1,579,670
Other	1,172,293	1,055,468	1,058,125	977,658	1,027,035	986,843	758,781	743,090
Support services:								
Student	398,045	329,819	298,198	344,458	303,146	307,132	276,733	287,439
Instructional staff	418,460	629,557	606,907	704,582	521,458	381,207	361,792	336,600
Administration	1,492,680	1,648,651	1,603,142	1,368,980	1,157,743	977,035	1,105,034	947,754
Operation and maintenance	1,218,367	1,308,175	1,366,621	1,247,423	1,121,868	1,039,748	972,766	931,055
Transportation	500,867	478,775	424,417	573,757	554,551	516,087	451,489	424,600
Non-instructional programs	282	2,934	-	-	-	-	5,125	4,825
Other expenditures:								
Facilities acquisition	218,170	347,350	405,032	2,223,773	9,437,295	4,194,736	1,008,414	194,836
Long-term debt:								
Principal	920,000	810,000	830,000	490,000	475,000	400,000	395,000	355,000
Interest and other charges	551,610	581,370	610,188	592,307	555,362	556,869	65,134	135,548
AEA flowthrough	522,020	484,444	466,146	441,043	409,437	389,902	392,113	402,374
Total expenditures	<u>14,619,581</u>	<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>

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

Year ended June 30, 2010

<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:			
School Breakfast Program	10.553	FY10	25,358
National School Lunch Program (non-cash)	10.555	FY10	42,373
National School Lunch Program	10.555	FY10	171,866
			<u>239,597</u>
Team Nutrition	10.574	FY10	123
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	FY10	79,952
ARRA - Title I Grants to Local Educational Agencies - Recovery Act	84.389	FY10	16,224
			<u>96,176</u>
Safe & Drug Free Schools and Communities - State Grants	84.186	FY10	2,877
Advanced Placement Program	84.330	FY10	168
Improving Teacher Quality State Grants	84.367	FY10	35,868
Grants for State Assessments and Related Activities	84.369	FY10	9,555
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	619,028
Area Education Agency #11:			
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	FY10	69,983
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	96,330
			<u>166,313</u>
Educational Technology State Grants	84.318	FY10	357
Special Education State Personnel Development	84.323	FY10	802
Dallas Center Grimes Community School District:			
Career and Technical Education - Basic Grants to States	84.048	FY10	10,246
Total			<u><u>1,181,110</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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 24, 2011. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 10-II-A to be 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, 2010 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, and is not intended to be and should not be used by anyone other than these specified parties.

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

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

January 24, 2011

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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 Adel DeSoto Minburn Community School District's compliance with the types of compliance requirements described in (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Adel DeSoto Minburn Community School District's major federal program for the year ended June 30, 2010. Adel DeSoto Minburn Community School District's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

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 grants 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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over

compliance in accordance with OMB Circular A-133, 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 deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 10-III-A. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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. We did not audit Adel DeSoto Minburn Community School District's response and, accordingly, we express no opinion on the response.

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, and 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

January 24, 2011

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements. No significant deficiencies were reported
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements. No material weaknesses were reported
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Adel DeSoto Minburn Community School District did not qualify as a low-risk auditee.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies

10-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 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, 2010

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Internal Control Deficiencies:

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants,
Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

10-III-A Reporting: Iowa schools must file quarterly financial reports for ARRA spending with the Iowa Department of Education. Federal financial reports should match the District's accounting records. During the year the District prepared the quarterly reports based on a percentage of the employee salaries and benefits that had been designated by administration to be used for the ARRA – State Fiscal Stabilization program. This led to the situation where the ARRA quarterly reports were slightly different from the District's accounting records that included the actual ARRA – State Fiscal Stabilization program salaries and benefits that had actually been paid.

Recommendation: The District should prepare future ARRA quarterly reports from the District's accounting records.

District Response: The Iowa Department of Education did not issue guidance on the basis of accounting to use for ARRA quarterly reports until June 2010. We will follow the new guidance for future reporting.

Conclusion: Response accepted.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- 10-IV-A Certified Budget: Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.
- 10-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.
- 10-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.
- 10-IV-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 10-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.
- 10-IV-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 10-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 10-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 10-IV-I 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.
- 10-IV-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 10-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 10-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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):

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

	\$	\$
Beginning balance		726,815
Statewide sales and services tax	846,820	
Interest revenue	1,196	
Other revenue	1,334	
Insurance claims	10,921	860,271
Expenditures/transfers out:		
School infrastructure:		
Land and land improvements	10,921	
Buildings and building improvements	207,249	
Debt service for school infrastructure:		
General obligation debt	410,000	
Revenue debt	417,009	1,045,179
Ending balance		541,907

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Debt service Levy	2.52005	827,009
Physical plant and equipment levy	.06037	19,811

10-IV-M Deficit Balances: The Student Activity Fund has several accounts with deficit balances at June 30, 2010.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.