

ADEL DESOTO MINBURN COMMUNITY SCHOOL
DISTRICT

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

June 30, 2011

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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, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated February 2, 2012 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, 2010, 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 11, including the Schedule of Expenditures of Federal Awards, required by OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

February 2, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District’s financial statements, which follow.

Financial Highlights

- General Fund revenues increased from \$12,897,914 in fiscal 2010 to \$13,995,236 in fiscal 2011, while General Fund expenditures increased from \$12,321,404 in fiscal 2010 to \$12,794,673 in fiscal 2011. The District’s General Fund balance increased from \$1,260,067 in fiscal 2010 to \$2,486,380 in fiscal 2011, an increase of \$1,226,313 from the prior year.
- The increase in General Fund revenues for 2011 was attributable to the continued cash reserve levy to help recover from the reduced state aid received in 2009, 2010, and 2011.
- The District continued a cash reserve levy to help to improve its financial position and a balanced budget for fiscal 2011 was achieved. The District improved the financial solvency ratio from 8.6% to 16%. This is important for the District to be able to withstand future state budget cuts.
- Dallas County passed a Local Option Sales and Services Tax of 1¢ on March 25, 2003, by 65% that was projected to provide \$13.4 million to Adel DeSoto Minburn over ten years. This allowed 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 used the 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.

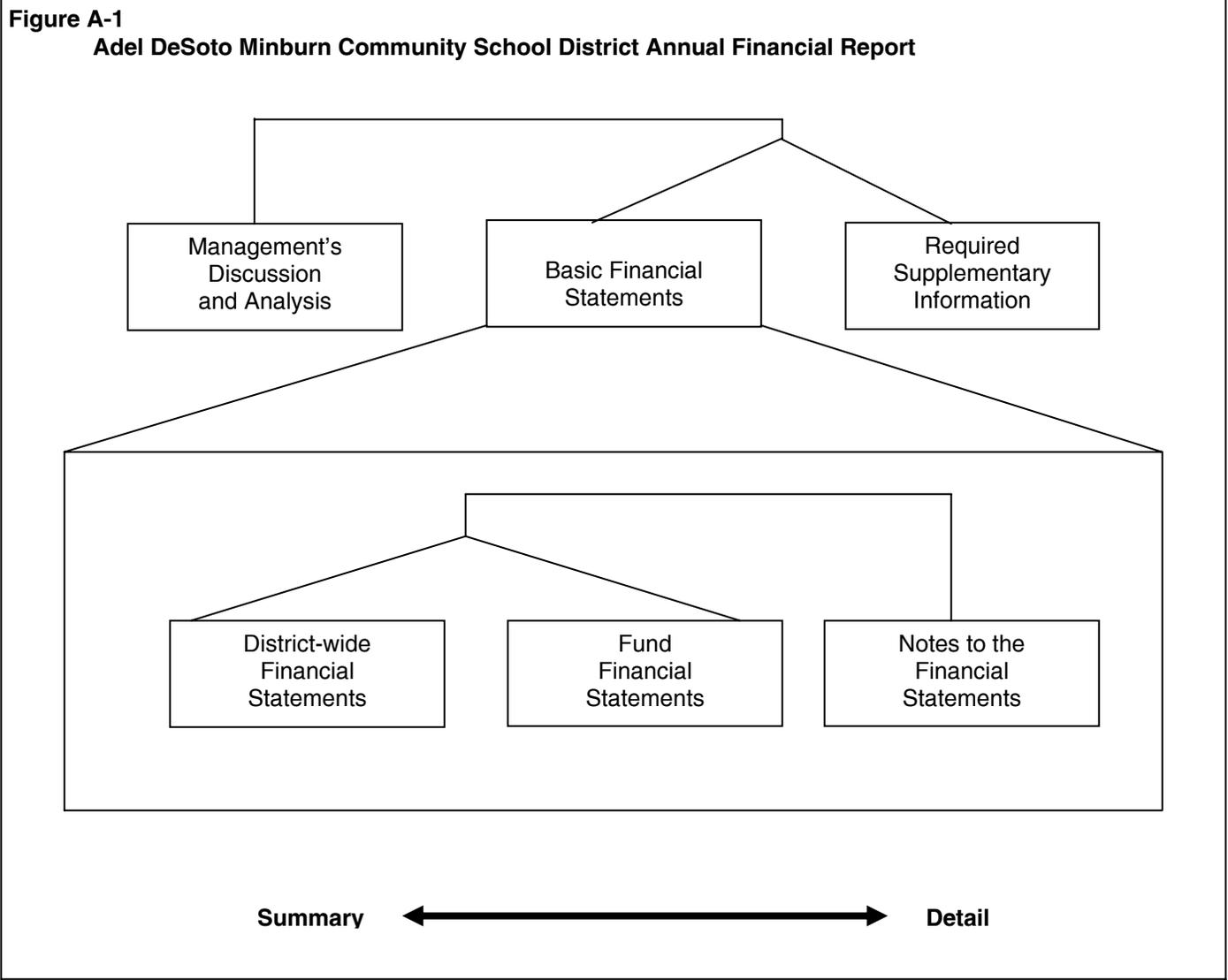


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents 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 child care	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, 2011 compared to 2010.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$12,516	\$10,526	\$ 227	\$ 131	\$12,743	\$ 10,657	19.57%
Capital assets	18,581	19,040	58	63	18,639	19,103	-2.4%
Total assets	<u>31,097</u>	<u>29,566</u>	<u>285</u>	<u>194</u>	<u>31,382</u>	<u>29,760</u>	<u>5.45%</u>
Long-term obligations	12,210	13,302	4	2	12,214	13,304	-8.19%
Other liabilities	7,963	7,598	52	55	8,015	7,653	4.73%
Total liabilities	<u>20,173</u>	<u>20,900</u>	<u>56</u>	<u>57</u>	<u>20,229</u>	<u>20,957</u>	<u>-3.47%</u>
Net assets:							
Invested in capital assets, net of related debt	6,471	5,975	58	63	6,529	6,038	8.13%
Restricted	2,199	1,644	-0-	-0-	2,199	1,644	33.76%
Unrestricted	<u>2,253</u>	<u>1,046</u>	<u>172</u>	<u>74</u>	<u>2,425</u>	<u>1,120</u>	<u>116.52%</u>
Total net assets	<u>\$10,923</u>	<u>\$8,665</u>	<u>\$ 230</u>	<u>\$ 137</u>	<u>\$ 11,153</u>	<u>\$ 8,802</u>	<u>26.71%</u>

The District’s improved financial position in regard to net assets is the product of many factors. Current assets increased in the General Fund due to the cash reserve levy. Capital assets decreased due to the increase of accumulated depreciation that was greater than the increased value of capital assets

Long-term obligations decreased because bonds were redeemed for the construction projects.

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, 2011 compared to 2010.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service and sales	\$1,508	\$1,526	\$ 576	\$ 576	\$ 2,084	\$ 2,102	- .8 %
Operating grants, contributions and restricted interest	2,425	2,556	242	246	2,667	2,802	-4.8%
Capital grants, contributions and restricted interest	-0-	-0-	-0-	-0-	-0-	-0-	.0%
General revenues:							
Property Tax	6,076	5,630	-0-	-0-	6,076	5,630	7.92%
SILO	1,234	847	-0-	-0-	1,234	847	45.7%
Unrestricted state grants	5,627	4,680	-0-	-0-	5,627	4,680	20.2%
ARRA stabilization grant	0	0	3	1	3	1	200%
Unrestricted investment earnings	14	11	-0-	-0-	14	11	27.3%
Other	22	(337)	-0-	-0-	22	(337)	199%
Transfers	25	25	(25)	(25)	-0-	-0-	0%
Total revenues and transfers	16,931	14,938	796	798	17,727	15,736	12.65%
Program expenses:							
Governmental activities:							
Instruction	8,818	8,574	-0-	-0-	8,818	8,574	2.8%
Support services	4,073	4,047	-0-	-0-	4,073	4,047	.6%
Non-instructional programs		0	703	767	703	767	-8%
Other expenses	1,782	1,800	-0-	-0-	1,782	1,800	-1%
Total expenses	14,673	14,421	703	767	15,376	15,188	1.24%
Change in net assets	\$ 2,258	\$ 517	\$93	\$30	\$2,351	\$547	329.8%

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84% of total expenses. The increase in net assets is tied to increases in revenues of property tax, unrestricted state grants and SILO revenue.

Governmental Activities

Revenues and transfers for governmental activities were \$16,931,322 and expenses were \$14,673,294.

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	\$ 8,818	\$ 5,467
Support Services	4,073	4,035
Other expenses	1,782	1,239
Totals	\$ 14,673	\$ 10,741

- The cost financed by users of the District’s programs was \$1,507,727.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,424,565.
- The net cost of governmental activities was financed with \$6,076,511 in property tax, \$1,233,758 in SILO \$5,627,031 in state foundation aid and mobile home taxes, \$14,084 in interest income, and \$22,646 in other income.

Business Type Activities

Revenues and transfers of the District’s business-type activities were \$796,438 and expenses were \$703,480. 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 some ground due to decreases 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 \$4,648,173 an increase compared to last year’s ending fund balances of \$3,031,438.

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 \$1,260,067 to \$2,486,380 because the District was able to trim expenditures and preserve the cash reserve levy. Even though the negotiated salary and benefit settlements increased, budget restraints and increased revenues offset costs.
- The Management Fund balance increased from \$659,865 to \$770,285 because the levy was adequate to offset property and casualty insurance premiums increases and unemployment claims increases.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District’s accounting records, but are combined into one Capital Projects Fund for financial reporting.

- The Physical Plant and Equipment Levy (PPEL) account balance increased from \$104,128 to \$152,628.
- The Sales Tax account balance increased from \$541,907 to \$733,453 because of an increase in sales tax revenue.

Proprietary Fund Highlights

- The School Nutrition Fund net assets increased from \$97,052 at June 30, 2010, to \$187,386 at June 30, 2011, representing an increase of approximately 93 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 a decrease in expenditures. Expenditures decreased from \$729,535 to \$674,345.
- The Day Care Fund net assets increased from \$39,940 at June 30, 2010, to \$42,564 at June 30, 2011. 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, unassigned, undesignated General Fund balance) of the District.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$333,443 more than the total budgeted receipts, a variance of 1.89%.

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 2011.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2011, 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 2.4 percent from last year. More detailed information is available in Note 5 to the financial statements. Depreciation expense for the year was \$690,492.

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
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 670	\$ 670	\$ -0-	\$ -0-	\$ 670	\$ 670	0.0%
Buildings	17,158	17,534	-0-	-0-	17,158	17,534	-2%
Improvements other than buildings	445	496	-0-	-0-	445	496	-10%
Furniture and equipment	308	340	58	63	366	403	-9%
Totals	\$ 18,581	\$ 19,040	\$ 58	\$ 63	\$ 18,639	\$ 19,103	-2.4%

Long-Term Debt

At June 30, 2011, the District had \$12,213,411 in outstanding general obligation bond debt and other long-term debt. This represents a decrease of approximately 8 percent from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

In March 2003, the voters of Dallas County approved a Local Option Sales and Services Tax of 1¢ to begin collection January 1, 2004. Revenue bonds of \$2,505,000 were sold in fiscal 2006. A bond issue for \$12,500,000 was approved October 21, 2003.

The District continues to carry a bond rating of A1 on its general obligation bonds and A2 on its revenue bonds.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$18 million.

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

	Total School District		Total Change
	2011	2010	2010-2011
General obligation bonds	\$ 10,950	\$ 11,550	-5%
Revenue bonds	1,160	1,515	-23%
Early retirement	0	175	-100.0%
Net OPEB liability	103	65	58.5%
Totals	\$ 12,213	\$ 13,305	-8%

Factors Bearing on the District's Future

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

- The State of Iowa dictated a statewide revaluation of agricultural land and the corresponding rollback in residential property values resulted in a loss of approximately \$1 million in bonding capacity for the 8-9 grades building and remodeling projects. The district used revenue bonds based on Local Option Sales and Services Taxes to fund those projects, funds that were intended to replace the Physical Plant and Equipment Levy that expired at the end of fiscal 2005 and were intended to be used as a cushion for other infrastructure needs. The 10-year Facility Plan will be impacted by less funding dollars available unless SILO dollars increase.
- The District will be asking the voters to approve a voted PPEL levy commencing in 2013 for technology and transportation needs. The cash reserve levy will be reduced to offset this levy.
- 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. Enrollment declined by 30 students in fiscal 2009, followed by an increase of 13 students on count date October 1, 2009. In 2011, the City of Adel implemented a tax abatement program which should help to increase enrollment in the future. The enrollment count on October 2011 was up by 26.9 students.
- 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, \$713,179 for fiscal 2011 and \$731,525 for fiscal year 2012. 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 2012 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.
- Despite the low allowable growth rates set by the legislature (2% for 2011, 0% for 2012, and 2% for 2013) the District is in sound financial health. However, if the legislature continues to set the allowable growth rate below 4%, the District will be using reserves which could mean budget cuts again in the future.

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, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	5,750,032	216,980	5,967,012
Receivables:			
Property tax:			
Delinquent	44,893	-	44,893
Succeeding year	6,367,610	-	6,367,610
Accounts	7,977	-	7,977
Due from other governments	345,662	-	345,662
Inventories	-	9,853	9,853
Capital assets, net of accumulated depreciation	18,580,984	58,428	18,639,412
Total assets	31,097,158	285,261	31,382,419
Liabilities			
Accounts payable	93,742	4,207	97,949
Salaries and benefits payable	1,333,031	36,261	1,369,292
Due to other governments	64,526	-	64,526
Accrued interest payable	95,789	-	95,789
Deferred revenue:			
Succeeding year property tax	6,367,610	-	6,367,610
Other	9,092	11,106	20,198
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	615,000	-	615,000
Revenue bonds payable	370,000	-	370,000
Portion due after one year:			
General obligation bonds payable	10,335,000	-	10,335,000
Revenue bonds payable	790,000	-	790,000
Net OPEB liability	99,674	3,737	103,411
Total liabilities	20,173,464	55,311	20,228,775

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	6,470,984	58,428	6,529,412
Restricted for:			
Categorical funding	133,232	-	133,232
Management levy	770,285	-	770,285
Physical plant and equipment levy	152,628	-	152,628
Student activities	230,599	-	230,599
School infrastructure	458,097	-	458,097
Debt service	454,395	-	454,395
Unrestricted	<u>2,253,474</u>	<u>171,522</u>	<u>2,424,996</u>
Total net assets	<u><u>10,923,694</u></u>	<u><u>229,950</u></u>	<u><u>11,153,644</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	5,528,647	939,918	1,442,379	-
Special	1,973,218	189,738	288,667	-
Other	1,316,428	366,494	124,427	-
	<u>8,818,293</u>	<u>1,496,150</u>	<u>1,855,473</u>	<u>-</u>
Support services:				
Student	412,620	-	19,306	-
Instructional staff	492,372	-	-	-
Administration	1,415,771	-	-	-
Operation and maintenance of plant	1,224,538	8,946	-	-
Transportation	527,317	2,631	6,483	-
	<u>4,072,618</u>	<u>11,577</u>	<u>25,789</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	180,207	-	-	-
Long-term debt interest	513,778	-	524	-
AEA flowthrough	542,779	-	542,779	-
Depreciation (unallocated)*	545,619	-	-	-
	<u>1,782,383</u>	<u>-</u>	<u>543,303</u>	<u>-</u>
Total governmental activities	<u>14,673,294</u>	<u>1,507,727</u>	<u>2,424,565</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	674,345	520,946	241,951	-
Childcare	29,135	54,885	-	-
Total business type activities	<u>703,480</u>	<u>575,831</u>	<u>241,951</u>	<u>-</u>
Total	<u>15,376,774</u>	<u>2,083,558</u>	<u>2,666,516</u>	<u>-</u>

General Revenues:

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

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
\$	\$	\$
(3,146,350)	-	(3,146,350)
(1,494,813)	-	(1,494,813)
<u>(825,507)</u>	-	<u>(825,507)</u>
<u>(5,466,670)</u>	-	<u>(5,466,670)</u>
(393,314)	-	(393,314)
(492,372)	-	(492,372)
(1,415,771)	-	(1,415,771)
(1,215,592)	-	(1,215,592)
<u>(518,203)</u>	-	<u>(518,203)</u>
<u>(4,035,252)</u>	-	<u>(4,035,252)</u>
(180,207)	-	(180,207)
(513,254)	-	(513,254)
-	-	-
<u>(545,619)</u>	-	<u>(545,619)</u>
<u>(1,239,080)</u>	-	<u>(1,239,080)</u>
<u>(10,741,002)</u>	-	<u>(10,741,002)</u>
-	88,552	88,552
-	25,750	25,750
-	<u>114,302</u>	<u>114,302</u>
<u>(10,741,002)</u>	114,302	<u>(10,626,700)</u>
5,267,622	-	5,267,622
692,003	-	692,003
116,886	-	116,886
1,233,758	-	1,233,758
5,627,031	-	5,627,031
14,084	2,031	16,115
<u>22,646</u>	<u>1,625</u>	<u>24,271</u>
12,974,030	3,656	12,977,686
<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
<u>12,999,030</u>	<u>(21,344)</u>	<u>12,977,686</u>
2,258,028	92,958	2,350,986
<u>8,665,666</u>	<u>136,992</u>	<u>8,802,658</u>
<u>10,923,694</u>	<u>229,950</u>	<u>11,153,644</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Management	Nonmajor Governmental	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	3,745,841	766,610	1,237,581	5,750,032
Receivables:				
Property tax:				
Delinquent	35,148	3,596	6,149	44,893
Succeeding year	5,062,224	500,001	805,385	6,367,610
Accounts	6,959	-	1,018	7,977
Due from other governments	159,908	79	185,675	345,662
Total assets	<u>9,010,080</u>	<u>1,270,286</u>	<u>2,235,808</u>	<u>12,516,174</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	56,397	-	37,345	93,742
Salaries and benefits payable	1,331,861	-	1,170	1,333,031
Due to other governments	64,526	-	-	64,526
Deferred revenue:				
Succeeding year property tax	5,062,224	500,001	805,385	6,367,610
Other	8,692	-	400	9,092
Total liabilities	<u>6,523,700</u>	<u>500,001</u>	<u>844,300</u>	<u>7,868,001</u>
Fund balances:				
Restricted for:				
Categorical funding	133,232	-	-	133,232
Debt service	-	-	550,184	550,184
Management levy	-	770,285	-	770,285
Student activities	-	-	230,599	230,599
School infrastructure	-	-	458,097	458,097
Physical plant and equipment	-	-	152,628	152,628
Assigned	68,275	-	-	68,275
Unassigned	2,284,873	-	-	2,284,873
Total fund balances	<u>2,486,380</u>	<u>770,285</u>	<u>1,391,508</u>	<u>4,648,173</u>
Total liabilities and fund balances	<u>9,010,080</u>	<u>1,270,286</u>	<u>2,235,808</u>	<u>12,516,174</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

\$

Total fund balances of governmental funds (Exhibit C)	4,648,173
<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.	18,580,984
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.	(95,789)
Long-term liabilities, including bonds payable 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>(12,209,674)</u>
Net assets of governmental activities (Exhibit A)	<u><u>10,923,694</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Management	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	4,778,746	488,876	2,042,647	7,310,269
Tuition	1,016,093	-	-	1,016,093
Other	190,793	17,842	360,365	569,000
State sources	7,143,743	232	374	7,144,349
Federal sources	865,861	-	-	865,861
Total revenues	<u>13,995,236</u>	<u>506,950</u>	<u>2,403,386</u>	<u>16,905,572</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,444,332	182,616	-	5,626,948
Special	1,964,644	-	-	1,964,644
Other	1,015,819	-	307,805	1,323,624
	<u>8,424,795</u>	<u>182,616</u>	<u>307,805</u>	<u>8,915,216</u>
Support services:				
Student	390,240	21,221	-	411,461
Instructional staff	457,174	-	28,389	485,563
Administration	1,394,905	56,704	137	1,451,746
Operation and maintenance of plant	1,072,360	126,495	12,081	1,210,936
Transportation	512,420	9,494	-	521,914
	<u>3,827,099</u>	<u>213,914</u>	<u>40,607</u>	<u>4,081,620</u>
Other expenditures:				
Facilities acquisition	-	-	299,087	299,087
Long-term debt:				
Principal	-	-	955,000	955,000
Interest and fiscal charges	-	-	520,885	520,885
AEA flowthrough	542,779	-	-	542,779
	<u>542,779</u>	<u>-</u>	<u>1,774,972</u>	<u>2,317,751</u>
Total expenditures	<u>12,794,673</u>	<u>396,530</u>	<u>2,123,384</u>	<u>15,314,587</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,200,563</u>	<u>110,420</u>	<u>280,002</u>	<u>1,590,985</u>
Other financing sources (uses):				
Sales of equipment	750	-	-	750
Operating transfers in	25,000	-	785,902	810,902
Operating transfers out	-	-	(785,902)	(785,902)
Total other financing sources (uses)	<u>25,750</u>	<u>-</u>	<u>-</u>	<u>25,750</u>
Net change in fund balances	1,226,313	110,420	280,002	1,616,735
Fund balances beginning of year	<u>1,260,067</u>	<u>659,865</u>	<u>1,111,506</u>	<u>3,031,438</u>
Fund balances end of year	<u><u>2,486,380</u></u>	<u><u>770,285</u></u>	<u><u>1,391,508</u></u>	<u><u>4,648,173</u></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, 2011

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		1,616,735
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	219,720	
Depreciation expense	<u>(678,756)</u>	(459,036)
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.		955,000
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.		7,107
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>(37,079)</u>	<u>138,222</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>2,258,028</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	216,980
Inventories	9,853
Capital assets, net of accumulated depreciation	<u>58,428</u>
Total assets	<u>285,261</u>
Liabilities	
Accounts payable	4,207
Salaries and benefits payable	36,261
Deferred revenue	11,106
Net OPEB liability	<u>3,737</u>
Total liabilities	<u>55,311</u>
Net assets	
Invested in capital assets	58,428
Unrestricted	<u>171,522</u>
Total net assets	<u><u>229,950</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>575,831</u>
Operating expenses:	
Salaries	266,160
Benefits	61,842
Purchased services	13,439
Supplies	350,303
Depreciation	11,736
Total operating expenses	<u>703,480</u>
Operating income (loss)	<u>(127,649)</u>
Non-operating revenues:	
State sources	6,293
Federal sources	235,658
Interest income	2,031
Compensation for loss of fixed assets	1,625
Total non-operating revenues	<u>245,607</u>
Income (loss) before transfers	117,958
Transfers in (out)	<u>(25,000)</u>
Change in net assets	92,958
Net assets beginning of year	<u>136,992</u>
Net assets end of year	<u><u>229,950</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	516,048
Cash received from childcare services	55,000
Cash payments to employees for services	(329,013)
Cash payments to suppliers for goods or services	(322,611)
Net cash used by operating activities	<u>(80,576)</u>
Cash flows from non-capital financing activities:	
Transfer from (to) other funds	(25,000)
State grants received	6,293
Federal grants received	197,938
Net cash provided by non-capital financing activities	<u>179,231</u>
Cash flows from capital and related financing activities:	
Insurance claims	1,625
Acquisition of capital assets	(6,927)
Net cash used by capital and related financing activities	<u>(5,302)</u>
Cash flows from investing activities:	
Interest on investments	<u>2,031</u>
Net increase (decrease) in cash and cash equivalents	95,384
Cash and cash equivalents at beginning of year	<u>121,596</u>
Cash and cash equivalents at end of year	<u><u>216,980</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(127,649)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	37,720
Depreciation	11,736
Decrease (increase) in inventories	(796)
Decrease (increase) in accounts receivable	95
(Decrease) increase in accounts payable	4,207
(Decrease) increase in salaries and benefits payable	(2,401)
(Decrease) increase in deferred revenue	(4,878)
(Decrease) increase in OPEB liability	1,390
Net cash used by operating activities	<u><u>(80,576)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$37,720 of federal commodities.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Private Purpose Trust Scholarship	Agency
	\$	\$
Assets		
Cash and pooled investments	3,050	-
Due from other governments	-	6,734
	<u>3,050</u>	<u>6,734</u>
Total Assets	<u>3,050</u>	<u>6,734</u>
Liabilities		
Accounts payable	2,500	-
Due to other governments	-	6,734
	<u>2,500</u>	<u>6,734</u>
Total Liabilities	<u>2,500</u>	<u>6,734</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, 2011

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	2,500
Deductions:	
Support services:	
Scholarships awarded	<u>2,500</u>
Change in net assets	-
Net assets beginning of year	<u>550</u>
Net assets end of year	<u><u>550</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

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 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010, through June 30, 2011, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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 fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education or Administration intends to use for specific purposes.

Unassigned – All amounts not included in other classifications.

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, 2011 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, 2011, the District had the following investments:

	Fair Value
	\$
Wells Fargo Advantage Government Money Market Fund	249,463

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, 2011 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental, Debt Service	Nonmajor Governmental, Capital Projects	785,902
General Fund	Nonmajor Enterprise, Childcare Fund	25,000

The transfer from the 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, 2011 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>693,858</u>	<u>-</u>	<u>24,143</u>	<u>669,715</u>

Capital assets being depreciated:				
Buildings	23,372,008	143,023	-	23,515,031
Improvements other than buildings	1,252,695	-	-	1,252,695
Furniture and equipment	1,574,330	100,840	-	1,675,170
Total capital assets being deprec.	<u>26,199,033</u>	<u>243,863</u>	-	<u>26,442,896</u>
Less accumulated depreciation for:				
Buildings	5,861,615	495,642	-	6,357,257
Improvements other than buildings	757,071	49,977	-	807,048
Furniture and equipment	1,234,185	133,137	-	1,367,322
Total accumulated depreciation	<u>7,852,871</u>	<u>678,756</u>	-	<u>8,531,627</u>
Total capital assets being depreciated, net	<u>18,346,162</u>	<u>(434,893)</u>	-	<u>17,911,269</u>
Governmental activities capital assets, net	<u>19,040,020</u>	<u>(434,893)</u>	<u>24,143</u>	<u>18,580,984</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	252,570	6,927	8,423	251,074
Less accumulated depreciation	<u>189,333</u>	<u>11,736</u>	<u>8,423</u>	<u>192,646</u>
Business type activities capital assets, net	<u>63,237</u>	<u>(4,809)</u>	-	<u>58,428</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	16,660
Other	11,443
Support services:	
Instructional support	6,114
Administration services	3,043
Operation and maintenance of plant services	10,822
Transportation	85,055
	<u>133,137</u>
Unallocated depreciation	<u>545,619</u>
Total depreciation expense – governmental activities	<u>678,756</u>
Business type activities:	
Food services	<u>11,736</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	11,550,000	-	600,000	10,950,000	615,000
Revenue bonds	1,515,000	-	355,000	1,160,000	370,000
Termination benefits	175,301	-	175,301	-	-
Net OPEB liability	<u>62,595</u>	<u>37,079</u>	<u>-</u>	<u>99,674</u>	<u>-</u>
Total	<u>13,302,896</u>	<u>37,079</u>	<u>1,130,301</u>	<u>12,209,674</u>	<u>985,000</u>
Business type activities:					
Net OPEB liability	<u>2,347</u>	<u>1,390</u>	<u>-</u>	<u>3,737</u>	<u>-</u>

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 was to be made in September 2011.

At June 30, 2011, the District had no obligations to any of the participants. The District paid \$175,301 of early retirement benefits during the year ended June 30, 2011.

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of October 2003			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	3.90	205,000	81,230	286,230
2017-2021	4.00-4.30	1,180,000	273,972	1,453,972
2022-2023	4.35-4.40	<u>550,000</u>	<u>36,608</u>	<u>586,608</u>
Total		<u>2,690,000</u>	<u>789,936</u>	<u>3,479,936</u>

Bond Issue of October 2004				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2012	3.25	435,000	287,557	722,557
2013	3.30	450,000	273,420	723,420
2014	3.40	470,000	258,570	728,570
2015	3.55	480,000	242,590	722,590
2016	3.65	500,000	225,550	725,550
2017-2021	3.80-4.15	2,790,000	826,492	3,616,492
2022-2024	4.15-4.30	2,250,000	207,276	2,457,276
Total		<u>7,375,000</u>	<u>2,321,455</u>	<u>9,696,455</u>

Bond Issue of April 2006				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2012	-	-	37,613	37,613
2013	-	-	37,613	37,613
2014	-	-	37,613	37,613
2015	-	-	37,613	37,613
2016	-	-	37,613	37,613
2017-2021	-	-	188,065	188,065
2022-2025	4.25	885,000	150,452	1,035,452
Total		<u>885,000</u>	<u>526,582</u>	<u>1,411,582</u>

Revenue Bonds

Details of the District's June 30, 2011 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
	%	\$	\$	\$
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>1,160,000</u>	<u>94,200</u>	<u>1,254,200</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 35% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,254,200. For the current year, \$415,600 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,233,758.

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 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$572,829, \$555,792, and \$534,820 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. 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, 2011, 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	1,624
Adjustment to annual required contribution	<u>(3,847)</u>
Annual OPEB cost	78,685
Contributions made	<u>40,216</u>
Increase in net OPEB obligation	38,469
Net OPEB obligation beginning of year	<u>64,942</u>
Net OPEB obligation end of year	<u>103,411</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, 2011.

For the year ended June 30, 2011, 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	\$		\$
2009	72,164	69%	22,629
2010	82,529	49%	64,942
2011	78,685	51%	103,411

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$6,080,000, and the ratio of the UAAL to covered payroll was 10.2%. As of June 30, 2011, 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.

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 \$542,779 for the year ended June 30, 2011 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 contracts to lease copiers. The payments the District will make over the next three years are as follows:

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

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount \$
Gifted and talented	6,504
Mentoring	242
Teacher salary supplement	40,136
Core curriculum	36,116
Educator quality, professional development	33,892
Limited English proficiency	3,681
Market factor	6,774
Iowa early intervention	5,667
Other	220
	133,232

12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
	\$	\$
Balances June 30, 2010, as previously reported	541,907	104,128
Change in fund type classification per implementation of GASB Statement No. 54	<u>104,128</u>	<u>(104,128)</u>
Balances July 1, 2010, as restated	<u><u>646,035</u></u>	<u><u>-</u></u>

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, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	8,895,362	579,487	9,474,849	9,112,300	9,112,300	362,549
State sources	7,144,349	6,293	7,150,642	7,741,067	7,741,067	(590,425)
Federal sources	865,861	235,658	1,101,519	540,200	540,200	561,319
Total revenues	<u>16,905,572</u>	<u>821,438</u>	<u>17,727,010</u>	<u>17,393,567</u>	<u>17,393,567</u>	<u>333,443</u>
Expenditures/Expenses:						
Instruction	8,915,216	-	8,915,216	9,010,540	9,060,000	144,784
Support services	4,081,620	42,032	4,123,652	4,649,140	4,649,140	525,488
Non-instructional programs	-	661,448	661,448	703,130	730,000	68,552
Other expenditures	2,317,751	-	2,317,751	2,441,434	2,441,434	123,683
Total expenditures/expenses	<u>15,314,587</u>	<u>703,480</u>	<u>16,018,067</u>	<u>16,804,244</u>	<u>16,880,574</u>	<u>862,507</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	1,590,985	117,958	1,708,943	589,323	512,993	1,195,950
Other financing sources (uses) net	<u>25,750</u>	<u>(25,000)</u>	<u>750</u>	<u>293</u>	<u>293</u>	<u>457</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	1,616,735	92,958	1,709,693	589,616	513,286	1,196,407
Balance beginning of year	<u>3,031,438</u>	<u>136,992</u>	<u>3,168,430</u>	<u>2,244,940</u>	<u>2,244,940</u>	<u>923,490</u>
Balance end of year	<u><u>4,648,173</u></u>	<u><u>229,950</u></u>	<u><u>4,878,123</u></u>	<u><u>2,834,556</u></u>	<u><u>2,758,226</u></u>	<u><u>2,119,897</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

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 \$76,330.

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%
2011	July 1, 2008	-	622,057	622,057	0.0%	6,080,000	10.2%

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, 2011

Assets	Special Revenue Fund	Capital Projects	Debt Service	Total
	Student Activity			
	\$	\$	\$	\$
Cash and pooled investments	238,777	729,340	269,464	1,237,581
Receivables:				
Property tax:				
Delinquent	-	889	5,260	6,149
Succeeding year	-	121,057	684,328	805,385
Accounts	1,018	-	-	1,018
Due from other governments	-	185,571	104	185,675
Total assets	239,795	1,036,857	959,156	2,235,808
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	7,626	29,719	-	37,345
Salaries and benefits payable	1,170	-	-	1,170
Deferred revenue:				
Succeeding year property tax	-	121,057	684,328	805,385
Other	400	-	-	400
Total liabilities	9,196	150,776	684,328	844,300
Fund balances:				
Restricted for:				
Debt service	-	275,356	274,828	550,184
Student activities	230,599	-	-	230,599
School infrastructure	-	458,097	-	458,097
Physical plant and equipment	-	152,628	-	152,628
Total fund balances	230,599	886,081	274,828	1,391,508
Total liabilities and fund balances	239,795	1,036,857	959,156	2,235,808

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Special Revenue Fund			Total
	Student Activity	Capital Projects	Debt Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	1,350,644	692,003	2,042,647
Other	358,493	1,348	524	360,365
State sources	-	54	320	374
Total revenues	<u>358,493</u>	<u>1,352,046</u>	<u>692,847</u>	<u>2,403,386</u>
Expenditures:				
Current:				
Other	307,805	-	-	307,805
Support services:				
Instructional staff	1,390	26,999	-	28,389
Administration	125	12	-	137
Operation and maintenance of plant	12,081	-	-	12,081
Other expenditures:				
Facilities acquisition	-	299,087	-	299,087
Long-term debt:				
Principal	-	-	955,000	955,000
Interest and fiscal charges	-	-	520,885	520,885
Total expenditures	<u>321,401</u>	<u>326,098</u>	<u>1,475,885</u>	<u>2,123,384</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,092</u>	<u>1,025,948</u>	<u>(783,038)</u>	<u>280,002</u>
Other financing sources (uses):				
Operating transfers in	-	-	785,902	785,902
Operating transfers out	-	(785,902)	-	(785,902)
Total other financing sources (uses)	<u>-</u>	<u>(785,902)</u>	<u>785,902</u>	<u>-</u>
Net change in fund balances	37,092	240,046	2,864	280,002
Fund balances beginning of year, as restated	<u>193,507</u>	<u>646,035</u>	<u>271,964</u>	<u>1,111,506</u>
Fund balances end of year	<u><u>230,599</u></u>	<u><u>886,081</u></u>	<u><u>274,828</u></u>	<u><u>1,391,508</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2011

	<u>Nonmajor Enterprise Funds</u>		
	School Nutrition	Childcare	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	172,026	44,954	216,980
Inventories	9,853	-	9,853
Capital assets, net of accumulated depreciation	58,428	-	58,428
	<u>240,307</u>	<u>44,954</u>	<u>285,261</u>
Total assets			
Liabilities			
Accounts payable	4,207	-	4,207
Salaries and benefits payable	33,891	2,370	36,261
Deferred revenue	11,086	20	11,106
Net OPEB liability	3,737	-	3,737
	<u>52,921</u>	<u>2,390</u>	<u>55,311</u>
Total liabilities			
Net assets			
Invested in capital assets	58,428	-	58,428
Unrestricted	128,958	42,564	171,522
	<u>187,386</u>	<u>42,564</u>	<u>229,950</u>
Total net assets			

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor Enterprise Funds		
	School Nutrition	Childcare	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	520,946	54,885	575,831
Operating expenses:			
Salaries	245,442	20,718	266,160
Benefits	56,864	4,978	61,842
Purchased services	12,078	1,361	13,439
Supplies	348,225	2,078	350,303
Depreciation	11,736	-	11,736
Total operating expenses	674,345	29,135	703,480
Operating income (loss)	(153,399)	25,750	(127,649)
Non-operating revenue (expenses):			
State sources	6,293	-	6,293
Federal sources	235,658	-	235,658
Interest income	157	1,874	2,031
Compenstation for loss of fixed assets	1,625	-	1,625
Total non-operating revenue	243,733	1,874	245,607
Income (loss) before transfers	90,334	27,624	117,958
Transfers in (out)	-	(25,000)	(25,000)
Change in net assets	90,334	2,624	92,958
Net assets beginning of year	97,052	39,940	136,992
Net assets end of year	187,386	42,564	229,950

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2011

	<u>Nonmajor Enterprise Funds</u>		
	School Nutrition	Childcare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	516,048	-	516,048
Cash received from childcare services	-	55,000	55,000
Cash payments to employees for services	(302,515)	(26,498)	(329,013)
Cash payments to suppliers for goods or services	(319,172)	(3,439)	(322,611)
Net cash (used) provided by operating activities	<u>(105,639)</u>	<u>25,063</u>	<u>(80,576)</u>
Cash flows from non-capital financing activities:			
Transfer from (to) other funds	-	(25,000)	(25,000)
State grants received	6,293	-	6,293
Federal grants received	197,938	-	197,938
Net cash (used) provided by non-capital financing activities	<u>204,231</u>	<u>(25,000)</u>	<u>179,231</u>
Cash flows from capital and related financing activities:			
Insurance claims	1,625	-	1,625
Acquisition of capital assets	(6,927)	-	(6,927)
Net cash used by capital and related financing activities	<u>(5,302)</u>	<u>-</u>	<u>(5,302)</u>
Cash flows from investing activities:			
Interest on investments	157	1,874	2,031
Net increase (decrease) in cash and cash equivalents	93,447	1,937	95,384
Cash and cash equivalents at beginning of year	78,579	43,017	121,596
Cash and cash equivalents at end of year	<u>172,026</u>	<u>44,954</u>	<u>216,980</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(153,399)	25,750	(127,649)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	37,720	-	37,720
Depreciation	11,736	-	11,736
Decrease (increase) in inventories	(796)	-	(796)
Decrease (increase) in accounts receivable	-	95	95
(Decrease) increase in accounts payable	4,207	-	4,207
(Decrease) increase in salaries and benefits payable	(1,599)	(802)	(2,401)
(Decrease) increase in deferred revenue	(4,898)	20	(4,878)
(Decrease) increase in OPEB liability	1,390	-	1,390
Net cash (used) provided by operating activities	<u>(105,639)</u>	<u>25,063</u>	<u>(80,576)</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Projects Accounts

June 30, 2011

Assets	<u>Capital Projects</u>		
	Statewide Sales, Services and Use Tax \$	Physical Plant and Equipment Levy \$	Total \$
Cash and pooled investments	577,618	151,722	729,340
Receivables:			
Property tax:			
Delinquent	-	889	889
Succeeding year	-	121,057	121,057
Due from other governments	185,554	17	185,571
Total assets	<u>763,172</u>	<u>273,685</u>	<u>1,036,857</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	29,719	-	29,719
Deferred revenue:			
Succeeding year property tax	-	121,057	121,057
Total liabilities	<u>29,719</u>	<u>121,057</u>	<u>150,776</u>
Fund balances:			
Restricted for:			
Debt Service	275,356	-	275,356
School infrastructure	458,097	-	458,097
Physical plant and equipment	-	152,628	152,628
Total fund balances	<u>733,453</u>	<u>152,628</u>	<u>886,081</u>
Total liabilities and fund balances	<u>763,172</u>	<u>273,685</u>	<u>1,036,857</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	1,233,758	116,886	1,350,644
Other	1,191	157	1,348
State sources	-	54	54
Total revenues	<u>1,234,949</u>	<u>117,097</u>	<u>1,352,046</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	-	26,999	26,999
Administration services	-	12	12
Other expenditures:			
Facilities acquisition	257,501	41,586	299,087
Total expenditures	<u>257,501</u>	<u>68,597</u>	<u>326,098</u>
Excess (deficiency) of revenues over (under) expenditures	977,448	48,500	1,025,948
Other financing sources (uses):			
Operating transfers out	<u>(785,902)</u>	-	<u>(785,902)</u>
Net change in fund balance	191,546	48,500	240,046
Fund balances beginning of year, as restated	<u>541,907</u>	<u>104,128</u>	<u>646,035</u>
Fund balance end of year	<u><u>733,453</u></u>	<u><u>152,628</u></u>	<u><u>886,081</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
HIGH SCHOOL					
Interest	8,074	852	-	(8,926)	-
Cross country	738	3,225	5,100	1,381	244
Golf	5,312	11,494	12,585	-	4,221
Weight	1,526	2,900	5,848	1,422	-
Boys basketball	6,008	10,876	8,174	(2,000)	6,710
Football	(1,896)	49,253	55,672	8,315	-
Boys soccer	2,001	6,227	6,327	-	1,901
Baseball	(427)	14,323	12,925	-	971
Boys track	1,485	11,845	11,445	-	1,885
Wrestling	4,723	10,776	5,559	-	9,940
Girls basketball	(293)	10,930	8,626	(1,724)	287
Volleyball	(1,557)	22,760	11,789	-	9,414
Girls soccer	1,080	11,728	11,128	-	1,680
Softball	777	21,434	16,480	-	5,731
Girls track	472	10,575	6,799	-	4,248
Athletics	81,424	4,306	26,213	(3,634)	55,883
Button club	63	-	-	-	63
High school prom	2,586	5,344	4,629	-	3,301
Special events	39,416	80,457	53,460	-	66,413
Facilities planning committee	10,425	9,271	-	5,000	24,696
Drama	11,436	5,233	5,799	-	10,870
Speech contest	997	99	115	-	981
French club	571	1,055	914	-	712
National Honor Society	317	1,383	1,383	-	317
Danz team	1,286	3,661	2,300	-	2,647
SADD	320	655	644	-	331
Thespian club	1,057	565	876	-	746
Student council	1,189	4,751	4,567	-	1,373
TSA	1,292	3,536	4,587	-	241
Yearbook	10,263	16,465	17,888	-	8,840
High school hall of fame	-	2,600	-	-	2,600
Cheerleading	2,423	12,818	14,397	-	844
Academic decathlon	-	1,300	150	-	1,150
8-9 Student Council	650	-	-	(650)	-
Middle school yearbook	1	2,606	1,934	-	673
6-7 student council	(65)	3,190	3,088	649	686
DeSoto student council	(167)	-	-	167	-
Total	193,507	358,493	321,401	-	230,599

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2011

	Sales Tax Shared with City of Adel	Regional Tournaments	Total
	\$	\$	\$
Balance beginning of year	-	-	-
Additions:			
Collections	26,382	42,798	69,180
Deductions:			
Miscellaneous	<u>26,382</u>	<u>42,798</u>	<u>69,180</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 Nine Years

	Modified Accrual Basis								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	7,310,269	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	1,016,093	1,048,627	1,078,218	1,033,535	909,651	876,667	900,135	804,321	774,936
Other	569,000	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	7,144,349	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	865,861	1,072,551	387,486	210,555	196,662	636,774	184,708	172,597	194,224
Total revenues	16,905,572	15,283,096	15,948,094	15,395,521	14,446,747	14,010,694	12,850,616	11,445,017	10,846,294
Expenditures:									
Instruction:									
Regular	5,626,948	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	1,964,644	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	1,323,624	1,172,293	1,055,468	1,058,125	977,658	1,027,035	986,843	758,781	743,090
Support services:									
Student	411,461	398,045	329,819	298,198	344,458	303,146	307,132	276,733	287,439
Instructional staff	485,563	418,460	629,557	606,907	704,582	521,458	381,207	361,792	336,600
Administration	1,451,746	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	1,210,936	1,218,367	1,308,175	1,366,621	1,247,423	1,121,868	1,039,748	972,766	931,055
Transportation	521,914	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	299,087	218,170	347,350	405,032	2,223,773	9,437,295	4,194,736	1,008,414	194,836
Long-term debt:									
Principal	955,000	920,000	810,000	830,000	490,000	475,000	400,000	395,000	355,000
Interest and other charges	520,885	551,610	581,370	610,188	592,307	555,362	556,869	65,134	135,548
AEA flowthrough	542,779	522,020	484,444	466,146	441,043	409,437	389,902	392,113	402,374
Total expenditures	15,314,587	14,619,581	15,122,742	15,074,606	16,425,021	22,599,296	16,603,391	12,275,475	10,924,015

See accompanying independent auditor's report.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<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	FY 11	28,278
National School Lunch Program (non-cash)	10.555	FY 11	37,720
National School Lunch Program	10.555	FY 11	169,660
			<u>235,658</u>
U.S. National Endowment for the Arts:			
Iowa Arts Council:			
Promotion of the Arts - Partnership Agreements	45.025		400
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	FY 11	82,756
ARRA - Title I Grants to Local Educational Agencies - Recovery Act	84.389	FY 11	24,397
			<u>107,153</u>
Improving Teacher Quality State Grants	84.367	FY 11	36,200
Grants for State Assessments and Related Activities	84.369	FY 11	9,633
State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 11	73,760
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY 11	64,357
			<u>138,117</u>
Education Jobs Fund	84.410	FY 11	268,568
Area Education Agency #11:			
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	FY 11	70,668
ARRA - Special Education Grants to States, Recovery Act	84.391	FY 11	58,905
			<u>129,573</u>
Educational Technology State Grants	84.318	FY 11	6,239
Dallas Center Grimes Community School District:			
Career and Technical Education - Basic Grants to States	84.048	FY 11	10,884
Total			<u><u>942,425</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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon February 2, 2012. 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 11-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, 2011 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

February 2, 2012

Gary E. Horton CPA

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Independent Auditor's Report on Compliance with Requirements That Could Have a Direct
and Material Effect on 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 the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Adel DeSoto Minburn Community School District's major federal programs for the year ended June 30, 2011. Adel DeSoto Minburn Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Adel DeSoto Minburn Community School District's management. Our responsibility is to express an opinion on Adel DeSoto Minburn Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 the 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in 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 that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs as items 11-III-A to be a material weakness.

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 responses.

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

February 2, 2012

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Child Nutrition Cluster
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 84.410 – Education Jobs Fund
- (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, 2011

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies

11-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. One individual is responsible for entering new employees into payroll system, setting up pay amounts and processing monthly payroll. 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, 2011

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Internal Control Deficiencies:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Jobs Fund
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

11-III-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. One individual is responsible for entering new employees into the payroll system, setting up pay amounts and processing monthly payroll. 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.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- 11-IV-A Certified Budget: Expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted.
- 11-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.
- 11-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.
- 11-IV-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 11-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.
- 11-IV-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 11-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 11-IV-H Supplementary Weighting: We noted that 13 students taking a statistics class through DMACC were not counted for supplemental weighting. This resulted in the supplemental weighting being understated by 1.14.
- Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- District Response: We have contacted these departments.
- Conclusion: Response accepted.
- 11-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.
- 11-IV-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 11-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 11-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 Responses

Year ended June 30, 2011

Part IV: Other Findings Related to Required 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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		541,907
Revenues/transfers in:		
Statewide sales, services and use tax revenue	1,233,758	
Interest	1,191	1,234,949
Expenditures/transfers out:		
School infrastructure construction	242,933	
Other	14,568	
Transfers to debt service fund	785,902	1,043,403
Ending balance		733,453

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E of 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	\$	\$
Debt service levy	1.02978	364,296