

ADEL DESOTO MINBURN COMMUNITY SCHOOL  
DISTRICT

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

June 30, 2012

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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, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated January 17, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is

required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2007-2011 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. The supplementary information included in Schedules 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

January 17, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Adel DeSoto Minburn Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### Financial Highlights

- General Fund revenues increased from \$13,995,236 in fiscal 2011 to \$14,404,401 in fiscal 2012, while General Fund expenditures increased from \$12,794,673 in fiscal 2011 to \$13,159,054 in fiscal 2012. The District's General Fund balance increased from \$2,486,380 in fiscal 2011 to \$3,779,391 in fiscal 2012, an increase of \$1,293,011 from the prior year.
- Much of the increase in General Fund revenues for 2012 was attributable to an increase in property tax revenue received (\$288,051) and an increase in tuition and other local sources (\$137,848). There was an increase in state sources (\$478,578) and a decrease in federal sources of (-\$495,312) due to the American Recovery & Reinvestment Act (ARRA) money received in 2011. Money was received from ARRA in 2011 (federal dollars) to "backfill" the reduction in state aid.
- The District continued a cash reserve levy to further improve its financial position and a balanced budget for fiscal 2012 was achieved. The District improved the financial solvency ratio from 16.95% to 25.84%. The solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term obligations.
- The District passed a Voted Physical Plant and Equipment Levy for ten years commencing in the 2012-13 school year. The District was able to do this without an increase to the overall tax levy rate due to a reduction in the cash reserve levy. The District will use the additional dollars for technology updates and transportation needs.
- The District issued \$8,450,000 of general obligation refunding bonds to refund \$8,155,000 of the outstanding October 2003 and October 2004 general obligation bonds. The refunding reduced total debt service payments over the next twelve years by \$965,730.

### 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 and the schedule of funding progress for the retiree health plan.

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

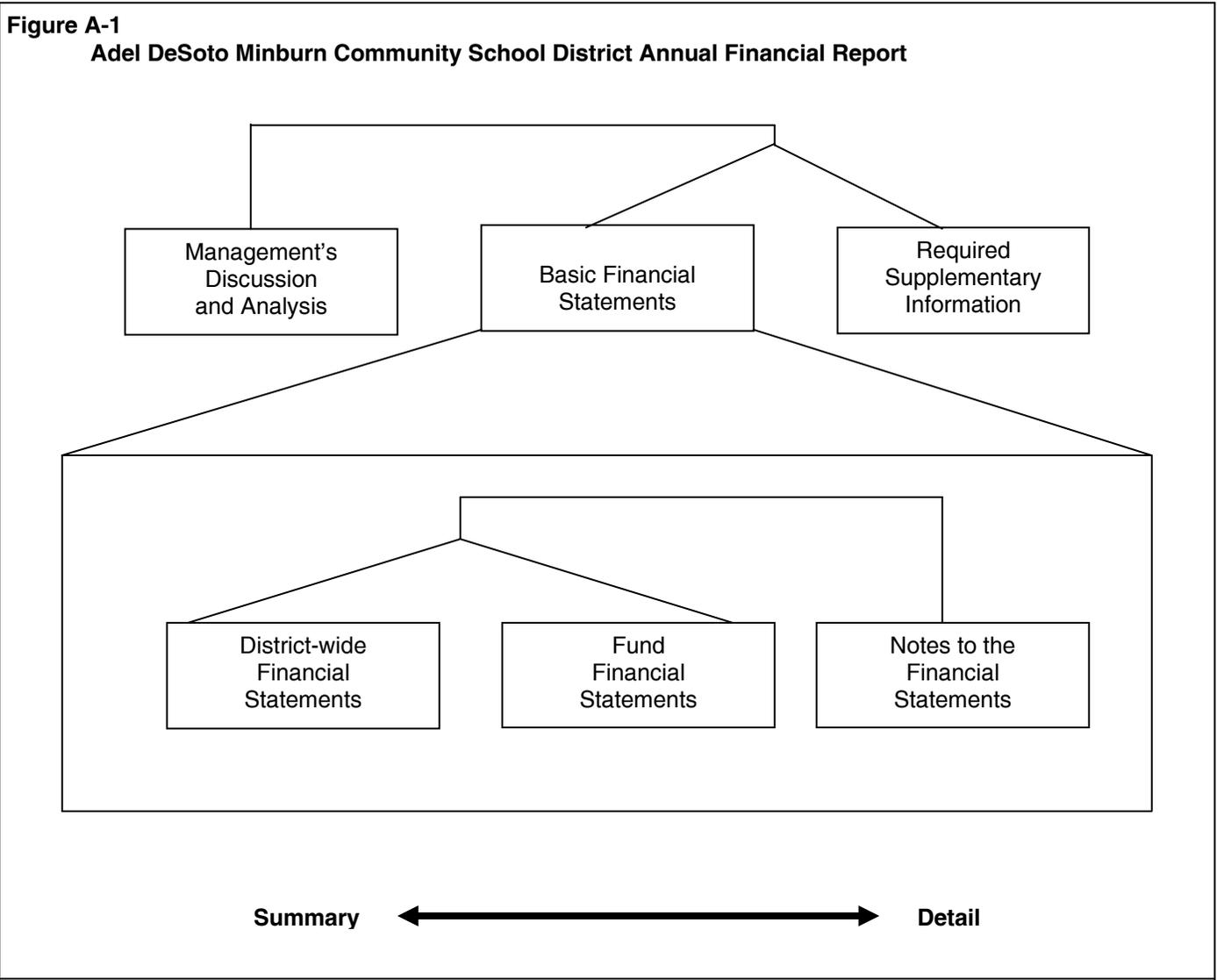


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents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

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

## District-wide Statements

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

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

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

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

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

## Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

### Financial Analysis of the District as a Whole

**Net assets** – Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2012 compared to 2011.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$23,161	\$12,516	\$ 303	\$ 227	\$23,464	\$12,743	84.13%
Capital assets	18,219	18,581	49	58	18,268	18,639	-1.99%
Total assets	41,380	31,097	352	285	41,732	31,382	32.98%
Long-term obligations	20,443	12,210	7	4	20,450	12,214	67.43%
Other liabilities	8,365	7,963	43	52	8,408	8,015	4.90%
Total liabilities	28,808	20,173	50	56	28,858	20,229	42.66%
Net assets:							
Invested in capital assets, net of related debt	6,624	6,471	49	58	6,673	6,529	2.21%
Restricted	2,460	2,199	-0-	-0-	2,460	2,199	11.87%
Unrestricted	3,488	2,253	253	172	3,741	2,425	54.27%
Total net assets	\$12,572	\$10,923	\$ 302	\$ 230	\$ 12,874	\$ 11,153	15.43%

The District’s total assets increased by 32.98% while total liabilities increased by 42.66%. Much of this is due to the refunding of general obligation bonds in the Debt Service Fund. The District will use the net proceeds of the crossover refunding bonds to call and pay the balance of the 2003 and 2004 issues on May 1, 2014.

Capital assets decreased due to the increase of accumulated depreciation that was greater than the increased value of capital assets.

The restricted net assets increase can be attributed primarily to the increased balances reserved for the Management Fund, PPEL Fund and SILO Fund. The SILO Fund restricted net assets were used for spring and summer projects including the remodeling of a science classroom and replacing stadium lights.

Unrestricted net assets increased due to a cash reserve levy that was preserved for improvement to financial health of the General Fund and increased revenues in the business type activities.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to 2011.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for service and sales	\$1,707	\$1,508	\$ 580	\$ 576	\$ 2,287	\$ 2,084	9.74 %
Operating grants, contributions and restricted interest	1,893	2,425	258	242	2,151	2,667	-19.35%
Capital grants, contributions and restricted interest	-0-	-0-	-0-	-0-	-0-	-0-	.0%
General revenues:							
Property Tax	6,374	6,076	-0-	-0-	6,374	6,076	4.90%
SILO	1,063	1,234	-0-	-0-	1,063	1,234	-13.86%
Unrestricted state grants	6,158	5,627	-0-	-0-	6,158	5,627	9.44%
Unrestricted investment earnings	18	14	-0-	3	18	17	5.88%
Other	49	22	-0-	-0-	49	22	122.73%
Transfers	25	25	(25)	(25)	-0-	-0-	0%
Total revenues and transfers	<u>17,287</u>	<u>16,931</u>	<u>813</u>	<u>796</u>	<u>18,100</u>	<u>17,727</u>	<u>2.10%</u>
Program expenses:							
Governmental activities:							
Instruction	9,663	8,818	-0-	-0-	9,663	8,818	9.58%
Support services	4,224	4,073	-0-	-0-	4,224	4,073	3.71%
Non-instructional programs			741	703	741	703	5.41%
Other expenses	1,751	1,782	-0-	-0-	1,751	1,782	-1.74%
Total expenses	<u>15,638</u>	<u>14,673</u>	<u>741</u>	<u>703</u>	<u>16,379</u>	<u>15,376</u>	<u>6.52%</u>
Change in net assets	<u>\$ 1,648</u>	<u>\$ 2,258</u>	<u>\$72</u>	<u>\$93</u>	<u>\$1,720</u>	<u>\$2,351</u>	<u>-26.84%</u>

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84.79% of total expenses. The increase in net assets is tied to increases in revenues from property tax and state aid.

### Governmental Activities

Revenues and transfers for governmental activities were \$17,286,535 and expenses were \$15,638,284.

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	\$ 9,663	\$ 6,614
Support Services	4,224	4,175
Non Instruction programs	0	0
Other expenses	1,751	1,250
Totals	<u>\$ 15,638</u>	<u>\$ 12,039</u>

- The cost financed by users of the District’s programs was \$1,707,098.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,893,123.
- The net cost of governmental activities was financed with \$6,373,696 in property tax, \$1,063,195 in SILO \$6,157,737 in state foundation aid and mobile home taxes, \$18,048 in interest income, and \$48,638 in other income.

**Business Type Activities**

Revenues and transfers of the District’s business-type activities were \$813,553 and expenses were \$741,073. 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.

The School Nutrition Fund gained some ground due to increases in federal and state sources. Net assets for the Nutrition Fund increased \$56,222. 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. Net assets for the Day Care Fund increased \$16,258.

**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 \$14,901,230 an increase compared to last year’s ending fund balances of \$4,648,173. The General Fund increased by \$1,293,011, the Debt Service increased by \$8,346,307, Management Fund by \$300,480, Student Activity Fund by \$68,049, and Capital Projects Fund by \$245,210. The large increase in the Debt Service Fund is due to refunding GO bonds.

**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 yet the District’s financial position has continued to improve as budget restraints continued.
- The General Fund balance increased from \$2,486,380 to \$3,779,391 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. Some staff reductions employed in 2009-10 still have not been reinstated (school improvement director, special education director, maintenance/operations director). The savings on these positions affect the District’s General Fund balance each year.

- The Debt Service Fund balance increased by \$8,346,307. During fiscal year 2012 the District issued \$8,450,000 of crossover refunding bonds. The net proceeds from the refunding bonds have been invested in U.S Treasury notes. The proceeds will be used to pay off the balance of the 2003 and 2004 bond issues when those bonds become callable on May 1, 2014.
- The Management Fund balance increased from \$770,285 to \$1,070,765 because the levy was adequate to offset property and casualty insurance premiums increases and unemployment claims increases. The District offered an early retirement incentive for eligible retirees at the end of 2012. The incentive was paid with Management Fund dollars in September, 2012 (FY 13).
- The Capital Projects Fund includes revenues from the 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 \$152,628 to \$277,293. Loan proceeds received in May 2012 for technology and transportation account for this increase as not all expenses were incurred by the end of fiscal year.
  - The Sales Tax account balance increased from \$733,453 to \$853,998 as money was set aside for spring/summer projects including remodeling of a classroom and replacing stadium lights.

### **Proprietary Fund Highlights**

- The School Nutrition Fund net assets increased from \$187,386 at June 30, 2011, to \$243,608 at June 30, 2012, representing an increase of approximately 30 percent. While participation is constant, enrollment has had little growth; even so, revenues are now increasing to cover increases for expenditures.
- The Day Care Fund net assets increased from \$42,564 at June 30, 2011, to \$58,822 at June 30, 2012. 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 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 44.

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 \$372,271 more than the total budgeted receipts, a variance of 2%.

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 2012.

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2012, the District had invested \$18.2 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 1.99 percent from last year. More detailed information is available in Note 4 to the financial statements. Depreciation expense for the year was \$705,612.

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 furniture and equipment category.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 670	\$ 670	\$ -0-	\$ -0-	\$ 670	670	0.0%
Buildings	16,662	17,158	-0-	-0-	16,662	17,158	-2.9%
Improvements other than buildings	449	445	-0-	-0-	449	445	.9%
Furniture and equipment	438	308	50	58	488	366	33.3%
<b>Totals</b>	<b>\$ 18,219</b>	<b>\$ 18,581</b>	<b>\$ 50</b>	<b>\$ 58</b>	<b>\$ 18,269</b>	<b>\$ 18,639</b>	<b>-1.99%</b>

### Long-Term Debt

At June 30, 2012, the District had \$20,443,029 in outstanding general obligation bond debt and other long-term debt. This represents an increase of approximately 67.43 percent from last year. (See Figure A-7)

In February 2012, the voters approved a voter PPEL levy not to exceed 1.0 to commence in 2012-13. The District issued capital loan notes of \$470,000 in May to pay for technology upgrades.

In May 2012, the District issued \$8,450,000 of general obligation refunding bonds to refund \$8,155,000 of the outstanding October 2003 and October 2004 general obligation bonds. This bond issue received a rating of A1.

The rating on the District's revenue bonds was increased from A-2 to A-1 in June 2012.

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 \$31 million.

More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

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

	Total School District		Total Change
	2012	2011	2011-2012
General obligation bonds	\$ 18,785	\$ 10,950	71.55
Revenue bonds	790	1,160	-31.9%
Notes payable	470	0	0%
Early retirement	202	0	0%
Net OPEB liability	203	103	97.1%
Totals	<u>\$ 20,450</u>	<u>\$ 12,213</u>	<u>67.43%</u>

### 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 City of Adel implemented a tax abatement program which could impact enrollment growth over the next several years. The October 2011 enrollment count was up by 26.9 students and the October 2012 enrollment growth was up by 24.6 students.
- The District asked the voters to approve a voted PPEL levy commencing in 2013 for technology and transportation needs. The levy was passed and the cash reserve levy was reduced to offset this levy.
- The District will negotiate a new agreement during fiscal 2013 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.
- 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 to pay for settlements and increased operating expenses which could mean budget cuts again in the future.
- The District may see reductions in federal dollars due to sequestration (The Budget Control Act of 2011 which includes a provision to impose \$1.2 trillion in across-the-board budget cuts to almost all federal programs including education). Sequestration would reduce federal funds received by the District by 8.2%.

### 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, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	16,045,502	294,937	16,340,439
Receivables:			
Property tax:			
Delinquent	54,520	-	54,520
Succeeding year	6,691,406	-	6,691,406
Accounts	18,743	-	18,743
Due from other governments	350,687	-	350,687
Inventories	-	7,998	7,998
Capital assets, net of accumulated depreciation	18,219,138	49,500	18,268,638
<b>Total assets</b>	<b>41,379,996</b>	<b>352,435</b>	<b>41,732,431</b>
<b>Liabilities</b>			
Accounts payable	133,371	-	133,371
Salaries and benefits payable	1,341,431	37,563	1,378,994
Due to other governments	91,490	-	91,490
Accrued interest payable	105,394	-	105,394
Deferred revenue:			
Succeeding year property tax	6,691,406	-	6,691,406
Other	1,930	5,295	7,225
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	635,000	-	635,000
Revenue bonds payable	385,000	-	385,000
Capital loan notes payable	70,000	-	70,000
Termination benefits	201,731	-	201,731
Portion due after one year:			
General obligation bonds payable	18,150,000	-	18,150,000
Revenue bonds payable	405,000	-	405,000
Capital loan notes payable	400,000	-	400,000
Compensated absences			
Net OPEB liability	196,298	7,147	203,445
<b>Total liabilities</b>	<b>28,808,051</b>	<b>50,005</b>	<b>28,858,056</b>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net assets</b>			
Invested in capital assets, net of related debt	6,624,138	49,500	6,673,638
Restricted for:			
Categorical funding	95,499	-	95,499
Management levy	869,034	-	869,034
Physical plant and equipment levy	277,293	-	277,293
Student activities	298,648	-	298,648
School infrastructure	578,613	-	578,613
Debt service	341,126	-	341,126
Unrestricted	<u>3,487,594</u>	<u>252,930</u>	<u>3,740,524</u>
<b>Total net assets</b>	<u><u>12,571,945</u></u>	<u><u>302,430</u></u>	<u><u>12,874,375</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	6,196,564	1,100,074	1,041,691	-
Special	2,040,823	131,835	230,086	-
Other	1,425,766	450,126	95,772	-
	<u>9,663,153</u>	<u>1,682,035</u>	<u>1,367,549</u>	<u>-</u>
Support services:				
Student	376,011	-	19,307	-
Instructional staff	571,321	-	-	-
Administration	1,542,674	-	-	-
Operation and maintenance of plant	1,162,360	19,207	-	-
Transportation	572,119	5,856	5,302	-
	<u>4,224,485</u>	<u>25,063</u>	<u>24,609</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	106,285	-	-	-
Long-term debt interest	599,202	-	1,113	-
AEA flowthrough	499,852	-	499,852	-
Depreciation (unallocated)*	545,307	-	-	-
	<u>1,750,646</u>	<u>-</u>	<u>500,965</u>	<u>-</u>
Total governmental activities	<u>15,638,284</u>	<u>1,707,098</u>	<u>1,893,123</u>	<u>-</u>
Business type activities:				
Food service operations	711,547	509,819	257,663	-
Childcare	29,526	70,575	-	-
Total business type activities	<u>741,073</u>	<u>580,394</u>	<u>257,663</u>	<u>-</u>
Total	<u>16,379,357</u>	<u>2,287,492</u>	<u>2,150,786</u>	<u>-</u>
<b>General Revenues:</b>				
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.

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
(4,054,799)	-	(4,054,799)
(1,678,902)	-	(1,678,902)
<u>(879,868)</u>	<u>-</u>	<u>(879,868)</u>
<u>(6,613,569)</u>	<u>-</u>	<u>(6,613,569)</u>
(356,704)	-	(356,704)
(571,321)	-	(571,321)
(1,542,674)	-	(1,542,674)
(1,143,153)	-	(1,143,153)
<u>(560,961)</u>	<u>-</u>	<u>(560,961)</u>
<u>(4,174,813)</u>	<u>-</u>	<u>(4,174,813)</u>
(106,285)	-	(106,285)
(598,089)	-	(598,089)
-	-	-
<u>(545,307)</u>	<u>-</u>	<u>(545,307)</u>
<u>(1,249,681)</u>	<u>-</u>	<u>(1,249,681)</u>
<u>(12,038,063)</u>	<u>-</u>	<u>(12,038,063)</u>
-	55,935	55,935
-	41,049	41,049
-	96,984	96,984
<u>(12,038,063)</u>	<u>96,984</u>	<u>(11,941,079)</u>
5,567,250	-	5,567,250
685,230	-	685,230
121,216	-	121,216
1,063,195	-	1,063,195
6,157,737	-	6,157,737
18,048	496	18,544
<u>48,638</u>	<u>-</u>	<u>48,638</u>
13,661,314	496	13,661,810
<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
<u>13,686,314</u>	<u>(24,504)</u>	<u>13,661,810</u>
1,648,251	72,480	1,720,731
<u>10,923,694</u>	<u>229,950</u>	<u>11,153,644</u>
<u>12,571,945</u>	<u>302,430</u>	<u>12,874,375</u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2012

	General	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	5,072,170	8,615,040	2,358,292	16,045,502
Receivables:				
Property tax:				
Delinquent	43,179	6,012	5,329	54,520
Succeeding year	4,648,373	950,697	1,092,336	6,691,406
Accounts	18,332	-	411	18,743
Due from other governments	164,769	83	185,835	350,687
<b>Total assets</b>	<u>9,946,823</u>	<u>9,571,832</u>	<u>3,642,203</u>	<u>23,160,858</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	84,839	-	48,532	133,371
Salaries and benefits payable	1,340,800	-	631	1,341,431
Due to other governments	91,490	-	-	91,490
Deferred revenue:				
Succeeding year property tax	4,648,373	950,697	1,092,336	6,691,406
Other	1,930	-	-	1,930
Total liabilities	<u>6,167,432</u>	<u>950,697</u>	<u>1,141,499</u>	<u>8,259,628</u>
Fund balances:				
Restricted for:				
Categorical funding	95,499	-	-	95,499
Debt service	-	8,621,135	275,385	8,896,520
Management levy	-	-	1,070,765	1,070,765
Student activities	-	-	298,648	298,648
School infrastructure	-	-	578,613	578,613
Physical plant and equipment	-	-	277,293	277,293
Assigned	78,178	-	-	78,178
Unassigned	3,605,714	-	-	3,605,714
Total fund balances	<u>3,779,391</u>	<u>8,621,135</u>	<u>2,500,704</u>	<u>14,901,230</u>
<b>Total liabilities and fund balances</b>	<u>9,946,823</u>	<u>9,571,832</u>	<u>3,642,203</u>	<u>23,160,858</u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

\$

<b>Total fund balances of governmental funds (Exhibit C)</b>	14,901,230
<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.	18,219,138
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.	(105,394)
Long-term liabilities, including bonds payable, notes payable, termination benefits 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>(20,443,029)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>12,571,945</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	5,066,797	685,230	1,684,864	7,436,891
Tuition	1,102,647	-	-	1,102,647
Other	242,087	1,113	462,685	705,885
State sources	7,622,321	300	278	7,622,899
Federal sources	370,549	-	-	370,549
Total revenues	<u>14,404,401</u>	<u>686,643</u>	<u>2,147,827</u>	<u>17,238,871</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,803,041	-	129,305	5,932,346
Special	2,021,498	-	-	2,021,498
Other	1,043,647	-	369,746	1,413,393
	<u>8,868,186</u>	<u>-</u>	<u>499,051</u>	<u>9,367,237</u>
Support services:				
Student	373,737	-	-	373,737
Instructional staff	547,656	-	1,469	549,125
Administration	1,421,872	-	171,385	1,593,257
Operation and maintenance of plant	1,000,902	-	180,791	1,181,693
Transportation	446,849	-	207,103	653,952
	<u>3,791,016</u>	<u>-</u>	<u>560,748</u>	<u>4,351,764</u>
Other expenditures:				
Facilities acquisition	-	-	160,028	160,028
Long-term debt:				
Principal	-	985,000	-	985,000
Interest and fiscal charges	-	589,597	-	589,597
AEA flowthrough	499,852	-	-	499,852
	<u>499,852</u>	<u>1,574,597</u>	<u>160,028</u>	<u>2,234,477</u>
Total expenditures	<u>13,159,054</u>	<u>1,574,597</u>	<u>1,219,827</u>	<u>15,953,478</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,245,347</u>	<u>(887,954)</u>	<u>928,000</u>	<u>1,285,393</u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Compensation for loss of fixed assets	22,664	-	-	22,664
Proceeds form long-term loans	-	-	470,000	470,000
Bonds issued	-	8,450,000	-	8,450,000
Operating transfers in	25,000	784,261	-	809,261
Operating transfers out	-	-	(784,261)	(784,261)
Total other financing sources (uses)	<u>47,664</u>	<u>9,234,261</u>	<u>(314,261)</u>	<u>8,967,664</u>
Net change in fund balances	1,293,011	8,346,307	613,739	10,253,057
Fund balances beginning of year	<u>2,486,380</u>	<u>274,828</u>	<u>1,886,965</u>	<u>4,648,173</u>
Fund balances end of year	<u><u>3,779,391</u></u>	<u><u>8,621,135</u></u>	<u><u>2,500,704</u></u>	<u><u>14,901,230</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		10,253,057
<b><i>Amounts reported for governmental activities in the Statement of Activities are different because:</i></b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	332,866	
Depreciation expense	<u>(694,712)</u>	(361,846)
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.		985,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(9,605)
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	(201,731)	
Other postemployment benefits	<u>(96,624)</u>	(298,355)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(8,920,000)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>1,648,251</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2012

	Nonmajor Enterprise Funds
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	294,937
Inventories	7,998
Capital assets, net of accumulated depreciation	<u>49,500</u>
<b>Total assets</b>	<u>352,435</u>
<b>Liabilities</b>	
Salaries and benefits payable	37,563
Deferred revenue	5,295
Net OPEB liability	<u>7,147</u>
<b>Total liabilities</b>	<u>50,005</u>
<b>Net assets</b>	
Invested in capital assets	49,500
Unrestricted	<u>252,930</u>
<b>Total net assets</b>	<u><u>302,430</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>580,394</u>
Operating expenses:	
Salaries	271,260
Benefits	72,333
Purchased services	9,371
Supplies	377,209
Depreciation	10,900
Total operating expenses	<u>741,073</u>
Operating income (loss)	<u>(160,679)</u>
Non-operating revenues:	
State sources	6,624
Federal sources	251,039
Interest income	496
Total non-operating revenues	<u>258,159</u>
Income (loss) before transfers	97,480
Transfers in (out)	<u>(25,000)</u>
Change in net assets	72,480
Net assets beginning of year	<u>229,950</u>
Net assets end of year	<u><u>302,430</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2012

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	503,988
Cash received from childcare services	70,595
Cash payments to employees for services	(338,881)
Cash payments to suppliers for goods or services	(349,079)
Net cash used by operating activities	<u>(113,377)</u>
Cash flows from non-capital financing activities:	
Transfer from (to) other funds	(25,000)
State grants received	6,624
Federal grants received	211,186
Net cash provided by non-capital financing activities	<u>192,810</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,972)</u>
Cash flows from investing activities:	
Interest on investments	<u>496</u>
Net increase (decrease) in cash and cash equivalents	77,957
Cash and cash equivalents at beginning of year	<u>216,980</u>
Cash and cash equivalents at end of year	<u><u>294,937</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(160,679)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	39,853
Depreciation	10,900
Decrease (increase) in inventories	1,855
(Decrease) increase in accounts payable	(4,207)
(Decrease) increase in salaries and benefits payable	1,302
(Decrease) increase in deferred revenue	(5,811)
(Decrease) increase in OPEB liability	3,410
Net cash used by operating activities	<u><u>(113,377)</u></u>

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

During the year ended June 30, 2012, the District received \$39,853 of federal commodities.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2012

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
<b>Assets</b>		
Cash and pooled investments	550	7,746
<b>Liabilities</b>		
Accounts payable	<u>-</u>	<u>7,746</u>
<b>Net Assets</b>		
Reserved for scholarships	<u><u>550</u></u>	<u><u>-</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2012

	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, 2012

### 1. Summary of Significant Accounting Policies

Adel DeSoto Minburn Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Adel, DeSoto, and Minburn, Iowa and the predominately agricultural territory in portions of Dallas and Madison Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Adel DeSoto Minburn Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Adel DeSoto Minburn Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011, through June 30, 2012, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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 are 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.

#### 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, 2012 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, 2012, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
US Treasury Notes	48,549	November 2012
US Treasury Notes	48,372	May 2013
US Treasury Notes	48,453	November 2013
US Treasury Notes	8,203,503	May 2014
		<u>Fair Value</u>
		\$
Wells Fargo Advantage Government Money Market Fund		500,119

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

Interest rate risk: The District's investment policy does not limit the time period for investing operating funds. Maturities shall be consistent with the needs of the District.

**3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service	Nonmajor Governmental, Capital Projects	784,261
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, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	669,715	-	-	669,715
Construction in progress	-	53,743	-	53,743
Total capital assets not being depr.	<u>669,715</u>	<u>53,743</u>	<u>-</u>	<u>723,458</u>
Capital assets being depreciated:				
Buildings	23,515,031	-	-	23,515,031
Improvements other than buildings	1,252,695	-	-	1,252,695
Furniture and equipment	1,675,170	279,123	-	1,954,293
Total capital assets being deprec.	<u>26,442,896</u>	<u>279,123</u>	<u>-</u>	<u>26,722,019</u>
Less accumulated depreciation for:				
Buildings	6,357,257	495,330	-	6,852,587
Improvements other than buildings	807,048	49,977	-	857,025
Furniture and equipment	1,367,322	149,405	-	1,516,727
Total accumulated depreciation	<u>8,531,627</u>	<u>694,712</u>	<u>-</u>	<u>9,226,339</u>
Total capital assets being depreciated, net	<u>17,911,269</u>	<u>(415,589)</u>	<u>-</u>	<u>17,495,680</u>
Governmental activities capital assets, net	<u>18,580,984</u>	<u>(361,846)</u>	<u>-</u>	<u>18,219,138</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	251,074	1,972	490	252,556
Less accumulated depreciation	192,646	10,900	490	203,056
Business type activities capital assets, net	<u>58,428</u>	<u>(8,928)</u>	<u>-</u>	<u>49,500</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	8,492
Other	10,668
Support services:	
Instructional support	18,217
Administration services	844
Operation and maintenance of plant services	12,006
Transportation	<u>99,178</u>
	149,405
Unallocated depreciation	<u>545,307</u>
Total depreciation expense – governmental activities	<u>694,712</u>
Business type activities:	
Food services	<u>10,900</u>

## 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	10,950,000	8,450,000	615,000	18,785,000	635,000
Revenue bonds	1,160,000	-	370,000	790,000	385,000
Capital loan notes	-	470,000	-	470,000	70,000
Termination benefits	-	201,731	-	201,731	201,731
Net OPEB liability	99,674	96,624	-	196,298	-
	<u>12,209,674</u>	<u>9,218,355</u>	<u>985,000</u>	<u>20,443,029</u>	<u>1,291,731</u>
Business type activities:					
Net OPEB liability	3,737	3,410	-	7,147	-

### Termination Benefits

The District offered a voluntary early retirement plan for employees for fiscal year 2012. The plan was only offered to employees for one year. Eligible employees must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

An employee granted early retirement will receive an annuity equal to 44% of the employee's regular salary. The annuity payment will to be made in September 2012.

At June 30, 2012, the District had an obligation to nine participants. The District did not pay any of early retirement benefits during the year ended June 30, 2012.

### General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Bond Issue of October 2003				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	4.00	185,000	103,165	288,165
2014	3.65-4.40	2,325,000	95,766	2,420,766
Total		2,510,000	198,931	2,708,931

Bond Issue of October 2004				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	3.30	450,000	273,420	723,420
2014	3.40-4.30	6,490,000	258,570	6,748,570
Total		6,940,000	531,990	7,471,990

Bond Issue of April 2006				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	-	-	37,613	37,613
2014	-	-	37,613	37,613
2015	-	-	37,613	37,613
2016	-	-	37,613	37,613
2017	-	-	37,613	37,613
2018-2022	-	-	188,065	188,065
2023-2025	4.25	885,000	112,839	997,839
Total		885,000	488,969	1,373,969

Crossover Bond Refunding Issue of May 2012				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	-	-	119,978	119,978
2014	-	-	119,977	119,977
2015	0.65	885,000	119,978	1,004,978
2016	0.80	895,000	114,225	1,009,225
2017	1.00	905,000	107,065	1,012,065
2018-2022	1.20-2.00	4,680,000	360,525	5,040,525
2023-2024	2.10-2.20	1,085,000	25,085	1,110,085
Total		8,450,000	966,833	9,416,833

#### Crossover Bond Refunding

On May 1, 2012, the District issued \$8,450,000 of general obligation refunding bonds with interest rates ranging between 0.65% to 2.2%. The District issued the bonds to refund \$8,155,000 of the outstanding October 2003 and October 2004 general obligation bonds with interest rates of 3.4% to 4.4%. The District will use the net proceeds of the May 2012 crossover refunding bonds to call and pay the balance of the 2003 and 2004 issues on May 1, 2014.

The refunding reduced total debt service payments over the next twelve years by \$965,730. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$806,110.

## Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 2006			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	4.0	385,000	31,600	416,600
2014	4.0	405,000	16,200	421,200
Total		790,000	47,800	837,800

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 40% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$837,800. For the current year, \$416,400 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,063,195.

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.

## Capital Loan Notes

The District issued \$470,000 of capital loan notes during the year ended June 30, 2012. These notes and the interest will be paid from the Capital Projects, Physical Plant and Equipment Levy account. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	0.55	70,000	3,385	73,385
2014	0.55	100,000	3,000	103,000
2015	0.65	100,000	2,450	102,450
2016	0.80	100,000	1,800	101,800
2017	1.00	100,000	1,000	101,000
		470,000	11,635	481,635

## 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 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$677,997, \$572,829, and \$555,792 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 154 active and 14 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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	95,293
Interest on net OPEB obligation	4,201
Adjustment to annual required contribution	<u>22,588</u>
Annual OPEB cost	122,082
Contributions made	<u>22,048</u>
Increase in net OPEB obligation	100,034
Net OPEB obligation beginning of year	<u>103,411</u>
 Net OPEB obligation end of year	 <u>203,445</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, 2012.

For the year ended June 30, 2012, the District contributed \$22,048 to the medical plan. Plan members eligible for benefits contributed \$95,446, or 81% 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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	\$		\$
2010	82,529	49%	64,942
2011	78,685	51%	103,411
2012	122,082	18%	203,445

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$570,498, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$570,498. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,940,000, and the ratio of the UAAL to covered payroll was 8.2%. As of June 30, 2012, 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, 2011 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 \$499,852 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**10. Lease and Service Commitment**

The District entered into contracts to lease copiers and purchase local area network services. The payments the District will make over the next five years are as follows:

Year Ended June 30	Lease Payment \$	Local Area Network Services
2013	6,338	36,000
2014	2,403	36,000
2015	-	36,000
2016	-	36,000
2017	-	36,000

**11. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount \$
Gifted and talented	14,357
Mentoring	70
Teacher salary supplement	39,749
Core curriculum	20,412
Educator quality, professional development	9,157
Limited English proficiency	4,980
Market factor	6,774
	95,499

**12. Construction Commitment**

The District has entered into contracts totaling \$422,670 for classroom renovations and stadium lighting. As of June 30, 2012 costs of \$9,687 had been incurred against the contracts. The balances remaining at June 30, 2012 will be paid as work on the projects progresses.

**13. Subsequent Events**

In July 2012 the District entered into an agreement to lease purchase \$460,810 of computers.

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, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	9,245,423	580,890	9,826,313	9,584,035	9,584,035	242,278
State sources	7,622,899	6,624	7,629,523	7,710,363	7,710,363	(80,840)
Federal sources	370,549	251,039	621,588	410,755	410,755	210,833
Total revenues	<u>17,238,871</u>	<u>838,553</u>	<u>18,077,424</u>	<u>17,705,153</u>	<u>17,705,153</u>	<u>372,271</u>
Expenditures/Expenses:						
Instruction	9,367,237	-	9,367,237	9,237,242	9,650,000	282,763
Support services	4,351,764	15,496	4,367,260	4,540,215	4,540,215	172,955
Non-instructional programs	-	725,577	725,577	755,000	755,000	29,423
Other expenditures	2,234,477	-	2,234,477	2,376,489	2,630,000	395,523
Total expenditures/expenses	<u>15,953,478</u>	<u>741,073</u>	<u>16,694,551</u>	<u>16,908,946</u>	<u>17,575,215</u>	<u>880,664</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	1,285,393	97,480	1,382,873	796,207	129,938	1,252,935
Other financing sources (uses) net	<u>8,967,664</u>	<u>(25,000)</u>	<u>8,942,664</u>	<u>-</u>	<u>-</u>	<u>8,942,664</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	10,253,057	72,480	10,325,537	796,207	129,938	10,195,599
Balance beginning of year	<u>4,648,173</u>	<u>229,950</u>	<u>4,878,123</u>	<u>4,017,590</u>	<u>4,017,590</u>	<u>860,533</u>
Balance end of year	<u><u>14,901,230</u></u>	<u><u>302,430</u></u>	<u><u>15,203,660</u></u>	<u><u>4,813,797</u></u>	<u><u>4,147,528</u></u>	<u><u>11,056,132</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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 \$666,269.

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) %
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%
2012	July 1, 2011	-	570,498	570,498	0.0%	6,940,000	8.2%

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.

SUPPLEMENTARY INFORMATION

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2012

Assets	Special Revenue Fund			Total
	Management Levy	Student Activity	Capital Projects	
	\$	\$	\$	
Cash and pooled investments	1,066,780	313,277	978,235	2,358,292
Receivables:				
Property tax:				
Delinquent	4,265	-	1,064	5,329
Succeeding year	580,001	-	512,335	1,092,336
Accounts	-	411	-	411
Due from other governments	66	-	185,769	185,835
<b>Total assets</b>	<b>1,651,112</b>	<b>313,688</b>	<b>1,677,403</b>	<b>3,642,203</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	346	14,409	33,777	48,532
Salaries and benefits payable	-	631	-	631
Deferred revenue:				
Succeeding year property tax	580,001	-	512,335	1,092,336
Total liabilities	580,347	15,040	546,112	1,141,499
Fund balances:				
Restricted for:				
Debt service	-	-	275,385	275,385
Management levy	1,070,765	-	-	1,070,765
Student activities	-	298,648	-	298,648
School infrastructure	-	-	578,613	578,613
Physical plant and equipment	-	-	277,293	277,293
Total fund balances	1,070,765	298,648	1,131,291	2,500,704
<b>Total liabilities and fund balances</b>	<b>1,651,112</b>	<b>313,688</b>	<b>1,677,403</b>	<b>3,642,203</b>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Special Revenue Fund			Total
	Management Levy	Student Activity	Capital Projects	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	500,453	-	1,184,411	1,684,864
Other	18,748	442,014	1,923	462,685
State sources	225	-	53	278
Total revenues	<u>519,426</u>	<u>442,014</u>	<u>1,186,387</u>	<u>2,147,827</u>
Expenditures:				
Current:				
Instruction:				
Regular	50,779	-	78,526	129,305
Other	-	369,746	-	369,746
Support services:				
Instructional staff	-	1,469	-	1,469
Administration	1,500	125	169,760	171,385
Operation and maintenance of plant	142,280	2,625	35,886	180,791
Transportation	24,387	-	182,716	207,103
Other expenditures:				
Facilities acquisition	-	-	160,028	160,028
Total expenditures	<u>218,946</u>	<u>373,965</u>	<u>626,916</u>	<u>1,219,827</u>
Excess (deficiency) of revenues over (under) expenditures	<u>300,480</u>	<u>68,049</u>	<u>559,471</u>	<u>928,000</u>
Other financing sources (uses):				
Proceeds from long-term loans	-	-	470,000	470,000
Operating transfers out	-	-	(784,261)	(784,261)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(314,261)</u>	<u>(314,261)</u>
Net change in fund balances	300,480	68,049	245,210	613,739
Fund balances beginning of year	<u>770,285</u>	<u>230,599</u>	<u>886,081</u>	<u>1,886,965</u>
Fund balances end of year	<u><u>1,070,765</u></u>	<u><u>298,648</u></u>	<u><u>1,131,291</u></u>	<u><u>2,500,704</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2012

	<u>Nonmajor Enterprise Funds</u>		
	<u>School Nutrition</u>	<u>Childcare</u>	<u>Total</u>
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	233,655	61,282	294,937
Inventories	7,998	-	7,998
Capital assets, net of accumulated depreciation	49,500	-	49,500
	<u>291,153</u>	<u>61,282</u>	<u>352,435</u>
<b>Total assets</b>			
<b>Liabilities</b>			
Salaries and benefits payable	35,143	2,420	37,563
Deferred revenue	5,255	40	5,295
Net OPEB liability	7,147	-	7,147
	<u>47,545</u>	<u>2,460</u>	<u>50,005</u>
<b>Total liabilities</b>			
<b>Net assets</b>			
Invested in capital assets	49,500	-	49,500
Unrestricted	194,108	58,822	252,930
	<u>243,608</u>	<u>58,822</u>	<u>302,430</u>
<b>Total net assets</b>			

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	<u>Nonmajor Enterprise Funds</u>		
	<u>School Nutrition</u>	<u>Childcare</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Operating revenue:			
Local sources:			
Charges for service	<u>509,819</u>	<u>70,575</u>	<u>580,394</u>
Operating expenses:			
Salaries	249,795	21,465	271,260
Benefits	67,001	5,332	72,333
Purchased services	9,321	50	9,371
Supplies	374,530	2,679	377,209
Depreciation	10,900	-	10,900
Total operating expenses	<u>711,547</u>	<u>29,526</u>	<u>741,073</u>
Operating income (loss)	<u>(201,728)</u>	<u>41,049</u>	<u>(160,679)</u>
Non-operating revenue (expenses):			
State sources	6,624	-	6,624
Federal sources	251,039	-	251,039
Interest income	287	209	496
Total non-operating revenue	<u>257,950</u>	<u>209</u>	<u>258,159</u>
Income (loss) before transfers	56,222	41,258	97,480
Transfers in (out)	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
Change in net assets	56,222	16,258	72,480
Net assets beginning of year	<u>187,386</u>	<u>42,564</u>	<u>229,950</u>
Net assets end of year	<u>243,608</u>	<u>58,822</u>	<u>302,430</u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2012

	<u>Nonmajor Enterprise Funds</u>		
	School		Total
	Nutrition	Childcare	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	503,988	-	503,988
Cash received from childcare services	-	70,595	70,595
Cash payments to employees for services	(312,134)	(26,747)	(338,881)
Cash payments to suppliers for goods or services	(346,350)	(2,729)	(349,079)
Net cash (used) provided by operating activities	<u>(154,496)</u>	<u>41,119</u>	<u>(113,377)</u>
Cash flows from non-capital financing activities:			
Transfer from (to) other funds	-	(25,000)	(25,000)
State grants received	6,624	-	6,624
Federal grants received	211,186	-	211,186
Net cash (used) provided by non-capital financing activities	<u>217,810</u>	<u>(25,000)</u>	<u>192,810</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(1,972)</u>	<u>-</u>	<u>(1,972)</u>
Cash flows from investing activities:			
Interest on investments	<u>287</u>	<u>209</u>	<u>496</u>
Net increase (decrease) in cash and cash equivalents	61,629	16,328	77,957
Cash and cash equivalents at beginning of year	<u>172,026</u>	<u>44,954</u>	<u>216,980</u>
Cash and cash equivalents at end of year	<u><u>233,655</u></u>	<u><u>61,282</u></u>	<u><u>294,937</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>			
Operating income (loss)	(201,728)	41,049	(160,679)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	39,853	-	39,853
Depreciation	10,900	-	10,900
Decrease (increase) in inventories	1,855	-	1,855
(Decrease) increase in accounts payable	(4,207)	-	(4,207)
(Decrease) increase in salaries and benefits payable	1,252	50	1,302
(Decrease) increase in deferred revenue	(5,831)	20	(5,811)
(Decrease) increase in OPEB liability	3,410	-	3,410
Net cash (used) provided by operating activities	<u>(154,496)</u>	<u>41,119</u>	<u>(113,377)</u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Projects Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax \$	Physical Plant and Equipment Levy \$	Total \$
<b>Assets</b>			
Cash and pooled investments	681,107	297,128	978,235
Receivables:			
Property tax:			
Delinquent	-	1,064	1,064
Succeeding year	-	512,335	512,335
Due from other governments	185,754	15	185,769
<b>Total assets</b>	<b>866,861</b>	<b>810,542</b>	<b>1,677,403</b>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	12,863	20,914	33,777
Deferred revenue:			
Succeeding year property tax	-	512,335	512,335
Total liabilities	12,863	533,249	546,112
Fund balances:			
Restricted for:			
Debt Service	275,385	-	275,385
School infrastructure	578,613	-	578,613
Physical plant and equipment	-	277,293	277,293
Total fund balances	853,998	277,293	1,131,291
<b>Total liabilities and fund balances</b>	<b>866,861</b>	<b>810,542</b>	<b>1,677,403</b>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Capital Projects		Total \$
	Statewide Sales, Services and Use Tax \$	Physical Plant and Equipment Levy \$	
Revenues:			
Local sources:			
Local tax	1,063,195	121,216	1,184,411
Other	1,620	303	1,923
State sources	-	53	53
Total revenues	<u>1,064,815</u>	<u>121,572</u>	<u>1,186,387</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	78,526	78,526
Support services:			
Administration services	-	169,760	169,760
Operation and maintenance of plant	-	35,886	35,886
Transportation services	-	182,716	182,716
Other expenditures:			
Facilities acquisition	160,028	-	160,028
Total expenditures	<u>160,028</u>	<u>466,888</u>	<u>626,916</u>
Excess (deficiency) of revenues over (under) expenditures	<u>904,787</u>	<u>(345,316)</u>	<u>559,471</u>
Other financing sources (uses):			
Proceeds from long-term loans	-	470,000	470,000
Operating transfers out	(784,242)	(19)	(784,261)
Total other financing sources (uses)	<u>(784,242)</u>	<u>469,981</u>	<u>(314,261)</u>
Net change in fund balance	120,545	124,665	245,210
Fund balances beginning of year	<u>733,453</u>	<u>152,628</u>	<u>886,081</u>
Fund balance end of year	<u><u>853,998</u></u>	<u><u>277,293</u></u>	<u><u>1,131,291</u></u>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
<b>HIGH SCHOOL</b>					
Interest	-	905	-	(905)	-
Cross country	244	2,800	2,489	-	555
Golf	4,221	4,215	6,399	-	2,037
Weight	-	2,000	1,367	-	633
Boys basketball	6,710	29,704	20,476	-	15,938
Football	-	71,566	67,821	-	3,745
Boys soccer	1,901	10,706	9,138	-	3,469
Baseball	971	16,755	21,917	4,256	65
Boys track	1,885	14,963	10,211	-	6,637
Wrestling	9,940	16,892	15,428	-	11,404
Girls basketball	287	12,211	11,521	-	977
Volleyball	9,414	18,165	19,031	-	8,548
Girls soccer	1,680	14,833	14,023	-	2,490
Softball	5,731	7,000	7,720	-	5,011
Girls track	4,248	9,468	5,799	-	7,917
Athletics	55,883	19,167	10,900	(3,351)	60,799
Button club	63	-	-	-	63
High school prom	3,301	5,941	6,435	-	2,807
Special events	66,413	115,506	75,010	-	106,909
Facilities planning committee	24,696	-	-	-	24,696
Drama	10,870	3,243	5,470	-	8,643
Speech contest	981	3,368	1,251	-	3,098
French club	712	1,130	487	-	1,355
National Honor Society	317	1,247	1,104	-	460
Danz team	2,647	4,271	5,013	-	1,905
SADD	331	1,358	-	-	1,689
Thespian club	746	336	355	-	727
Student council	1,373	5,641	5,581	-	1,433
TSA	241	3,915	3,440	-	716
Yearbook	8,840	17,352	20,354	-	5,838
High school hall of fame	2,600	-	-	-	2,600
Cheerleading	844	20,858	18,159	-	3,543
Academic decathlon	1,150	400	1,517	-	33
Mock trial	-	300	300	-	-
Middle school yearbook	673	3,729	3,592	-	810
6-7 student council	686	2,069	1,657	-	1,098
<b>Total</b>	<b>230,599</b>	<b>442,014</b>	<b>373,965</b>	<b>-</b>	<b>298,648</b>

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2012

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

## ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

For the Last Ten Years

	Modified Accrual Basis									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	7,436,891	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	1,102,647	1,016,093	1,048,627	1,078,218	1,033,535	909,651	876,667	900,135	804,321	774,936
Other	705,855	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	7,622,899	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	370,549	865,861	1,072,551	387,486	210,555	196,662	636,774	184,708	172,597	194,224
<b>Total revenues</b>	<b>17,238,841</b>	<b>16,905,572</b>	<b>15,283,096</b>	<b>15,948,094</b>	<b>15,395,521</b>	<b>14,446,747</b>	<b>14,010,694</b>	<b>12,850,616</b>	<b>11,445,017</b>	<b>10,846,294</b>
Expenditures:										
Instruction:										
Regular	5,932,346	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	2,021,498	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	1,413,393	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	373,737	411,461	398,045	329,819	298,198	344,458	303,146	307,132	276,733	287,439
Instructional staff	549,125	485,563	418,460	629,557	606,907	704,582	521,458	381,207	361,792	336,600
Administration	1,593,257	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	1,181,693	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	653,952	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	160,028	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	985,000	955,000	920,000	810,000	830,000	490,000	475,000	400,000	395,000	355,000
Interest and other charges	589,597	520,885	551,610	581,370	610,188	592,307	555,362	556,869	65,134	135,548
AEA flowthrough	499,852	542,779	522,020	484,444	466,146	441,043	409,437	389,902	392,113	402,374
<b>Total expenditures</b>	<b>15,953,478</b>	<b>15,314,587</b>	<b>14,619,581</b>	<b>15,122,742</b>	<b>15,074,606</b>	<b>16,425,021</b>	<b>22,599,296</b>	<b>16,603,391</b>	<b>12,275,475</b>	<b>10,924,015</b>

See accompanying independent auditor's report.

Gary E. Horton CPA

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Adel DeSoto Minburn Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon January 17, 2013. 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

The management of Adel DeSoto Minburn Community School District is responsible for establishing and maintaining effective 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 Responses, 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 I of the accompanying Schedule of Findings and Responses as item 12-I-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 II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Adel DeSoto Minburn Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Adel DeSoto Minburn Community School District's responses and, accordingly, we express no opinion on them.

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

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

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

January 17, 2013

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies

12-I-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of cash disbursements to the cash disbursements journal and the preparing and distributing of checks were performed by the same person 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. The bank reconciliations are reviewed each month by a board member.

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, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- 12-II-A Certified Budget: Expenditures for the year ended June 30, 2012, did not exceed the amounts budgeted.
- 12-II-B Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 12-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 12-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 12-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 12-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 12-II-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2011, was overstated by one student. A student that was open enrolled in was counted as a resident student.
- Recommendation: The District should review its procedures for determining if a student is a resident of the district.
- District Response: We will review our procedures.
- Conclusion: Response accepted.
- 12-II-H Supplementary Weighting: The supplementary weighting for students taking a college level history class was understated by .04.
- Recommendation: The District should review its procedures for determining classes eligible for supplemental weighting.
- District Response: We will review our procedures.
- Conclusion: Response accepted.
- 12-II-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.
- 12-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting (continued):

12-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

12-II-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.

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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		733,453
Revenues/transfers in:		
Statewide sales, services and use tax revenue	1,063,195	
Interest	1,620	1,064,815
Expenditures/transfers out:		
School infrastructure construction	131,338	
Other	28,690	
Transfers to debt service fund	784,242	944,270
Ending balance		853,998

For the year ended June 30, 2012, 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	1.00237	367,708