

ADEL DESOTO MINBURN COMMUNITY SCHOOL
DISTRICT

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

June 30, 2013

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Independent Auditor's Report

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 43 through 45 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 financial reporting for placing the basic financial statements in an appropriate operation, 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 1, 2014 on our consideration of Adel DeSoto Minburn Community School District's internal control over financial reporting and on 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 and 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 in considering Adel DeSoto Minburn Community School District's internal control over financial reporting and compliance.

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

May 1, 2014

MANAGEMENT’S DISCUSSION AND ANALYSIS

Adel DeSoto Minburn Community School District provides this Management’s Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District’s financial statements, which follow.

Financial Highlights

- General Fund revenues decreased from \$14,404,401 in fiscal 2012 to \$14,297,745 in fiscal 2013, while General Fund expenditures increased from \$13,159,054 in fiscal 2012 to \$13,588,563 in fiscal 2013. The District’s General Fund balance increased from \$3,779,391 in fiscal 2012 to \$4,528,803 in fiscal 2013, an increase of \$749,412 from the prior year.
- Much of the decrease in General Fund revenues for 2013 was attributable to a decrease in property tax revenue received (\$430,468). The District did not levy for additional cash reserve. There was also a decrease of revenue received (\$35,377) from federal sources. There was an increase in state sources (\$200,565) and tuition (\$43,229).
- The District did not levy for cash reserve as the solvency ratio at the end of 2012 was 25.84% and at the end of 2013 was 31.33%. 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. This levy increased property taxes received in the PPEL Fund of \$385,214 in fiscal year 2013. The District is using the additional dollars for technology updates and transportation needs.
- At the end of 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. The refunding reduced total debt service payments over the next twelve years by \$965,730. 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.

Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management’s Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District’s financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Adel DeSoto Minburn Community School District as a whole and present an overall view of the District’s finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Adel DeSoto Minburn Community School District’s operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Adel DeSoto Minburn Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the Nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

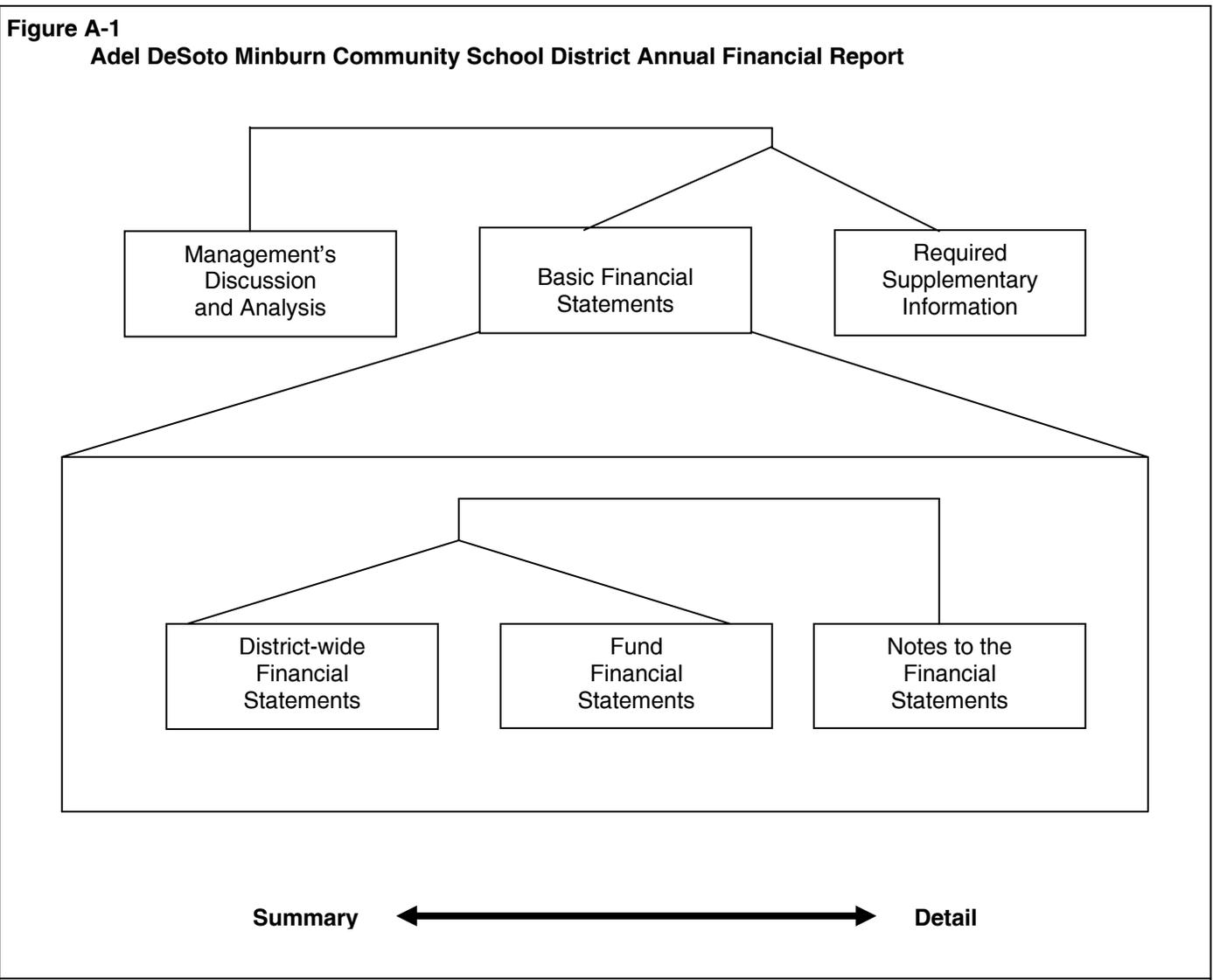


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-Wide Statements	Fund Statements		
		Government Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and child care	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial Statements	<ul style="list-style-type: none"> ▣ Statement of net position ▣ Statement of Activities 	<ul style="list-style-type: none"> ▣ Balance sheet ▣ Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> ▣ Statement of net position ▣ Statement of revenues, expenses and changes in net position ▣ Statement of cash flows 	<ul style="list-style-type: none"> ▣ Statement of fiduciary net position ▣ Statement of changes in fiduciary net position
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

Reporting the District's Financial Activities

Government-wide Financial Statements

The Government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position 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 government-wide financial statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position 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 government-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.
 - 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 government-wide financial 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.

- The required financial statements for proprietary funds include a Statement of Net Position a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.
- *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 as a fiscal agent.

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 government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Financial Analysis of the District as a Whole

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2012	2013	2012	2013	2012	2013	2012-2013
Current and other assets	\$23,161	\$24,454	\$ 303	\$ 356	\$23,464	\$24,810	5.74%
Capital assets	18,219	18,073	49	55	18,268	18,128	-.77%
Total assets	41,380	42,527	352	411	41,732	42,938	2.89%
Long-term obligations	20,443	19,558	7	8	20,450	19,566	-4.32%
Other liabilities	8,365	8,833	43	60	8,408	8,893	5.77%
Total liabilities	28,808	28,391	50	68	28,858	28,459	-1.38%
Net position:							
Net investment in capital assets	6,624	7,568	49	56	6,673	7,624	14.25%
Restricted	2,460	2,716	-0-	-0-	2,460	2,716	10.41%
Unrestricted	3,488	3,852	253	287	3,741	4,139	10.64%
Total net position	\$12,572	14,136	\$ 302	343	\$ 12,874	14,479	12.47%

The District's total position increased by 12.47% while total liabilities decreased by 1.38%.

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

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increase can be attributed primarily to the increased current and other assets balances reserved in the Management Fund.

Unrestricted net position- the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirement increased due to the excess of revenues over expenditures in the General Fund as well increased revenues in the business type activities.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2012	2013	2012	2013	2012	2013	2012-2013
Revenues:							
Program revenues:							
Charges for service and sales	\$1,707	\$1,848	\$ 580	\$ 586	\$ 2,287	\$ 2,434	6.43 %
Operating grants, contributions and restricted interest	1,893	1,844	258	285	2,151	2,129	-1.02%
Capital grants, contributions and restricted interest	-0-	-0-	-0-	-0-	-0-	-0-	.0%
General revenues:							
Property Tax	6,374	6,680	-0-	-0-	6,374	6,680	4.80%
Statewide sales, service & use tax	1,063	1,229	-0-	-0-	1,063	1,229	15.62%
Unrestricted state grants	6,158	6,338	-0-	-0-	6,158	6,338	2.92%
Unrestricted investment earnings	18	12	-0-	-0-	18	12	-33.33%
Other	49	18	-0-	-0-	49	18	-63.27%
Transfers	25	28	(25)	(28)	-0-	-0-	0%
Total revenues and transfers	17,287	17,997	813	843	18,100	18,840	4.09%
Program expenses:							
Governmental activities:							
Instruction	9,663	10,268	-0-	-0-	9,663	10,268	6.26%
Support services	4,224	4,381	-0-	-0-	4,224	4,381	3.72%
Non-instructional programs	-0-	-0-	741	803	741	803	8.37%
Other expenses	1,751	1,783	-0-	-0-	1,751	1,783	1.83%
Total expenses	15,638	16,432	741	803	16,379	17,235	5.23%
Change in net position	\$1,648	\$ 1,565	\$72	\$40	\$1,720	\$1,605	-6.69%

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 85% of total expenses. The decrease in net position is tied to decreases in revenues from property tax in the General Fund and operating grants and contributions received along with lower unrestricted investment earnings and other revenue. The increase in expenses also impacted the change in net position.

Governmental Activities

Revenues and transfers for governmental activities were \$17,996,412 and expenses were \$16,431,882.

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	\$ 10,268	\$ 7,277
Support Services	4,381	4,325
Non Instruction programs	0	(95)
Other expenses	1,783	1,233
Totals	\$ 16,432	\$ 12,740

- The cost financed by users of the District's programs was \$1,848,139.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,844,144.
- The net cost of governmental activities was financed with \$6,679,505 in property tax, \$1,228,694 in Statewide Sales, services and use tax, \$6,338,337 in unrestricted state grants, \$11,958 in interest income, and \$17,635 in other income.

Business Type Activities

Revenues and transfers of the District's business-type activities were \$843,319 and expenses were \$803,239. 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 position for the Nutrition Fund increased \$29,832. 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 position for the Day Care Fund increased \$10,248.

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 \$15,725,111 an increase compared to last year's ending fund balances of \$14,901,230. The General Fund increased by \$749,412, the Debt Service increased by \$142,965, Management Fund by \$120,681, Student Activity Fund by \$8,800, and the Capital Projects Fund decreased by \$197,977.

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 \$3,779,391 to \$4,528,803 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 remains high due to the District issuing \$8,450,000 of crossover refunding bonds in 2012. 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 \$1,070,765 to \$1,191,446 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 2013. The incentive was paid with Management Fund dollars in September, 2013 (FY 14).
- 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 decreased from \$277,293 to \$179,003. Loan proceeds received in May 2012 for technology and transportation account for this decrease as most expenses were incurred in fiscal year 2013.
 - The Sales Tax account balance decreased from \$853,998 to \$754,311 as expenditures increased for spring/summer projects including stadium lighting and the science classroom remodeling.

Proprietary Fund Highlights

- The School Nutrition Fund net position increased from \$243,608 at June 30, 2012, to \$273,440 at June 30, 2013, representing an increase of approximately 12 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 position increased from \$58,822 at June 30, 2012, to \$69,070 at June 30, 2013. 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 43.

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 \$83,044 less than the total budgeted receipts, a variance of 1%.

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.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2013, the District had invested \$18 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 .77 percent from last year. More detailed information is available in Note 4 to the financial statements. Depreciation expense for the year was \$689,091.

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 improvements other than buildings category.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2012	2013	2012	2013	2012	2013	2012-2013
Land	\$ 670	\$ 670	\$ -0-	\$ -0-	\$ 670	670	0.0%
Construction in progress	54	-0-	-0-	-0-	54	-0-	-100.00%
Buildings	16,662	16,346	-0-	-0-	16,662	16,346	-1.90%
Improvements other than buildings	395	638	-0-	-0-	395	638	61.52%
Furniture and equipment	438	419	50	56	488	475	-2.66%
Totals	<u>\$ 18,219</u>	<u>\$ 18,073</u>	<u>\$ 50</u>	<u>\$ 56</u>	<u>\$ 18,269</u>	<u>\$ 18,129</u>	<u>-.77%</u>

Long-Term Debt

At June 30, 2013, the District had \$19,557,990 in outstanding general obligation bond debt and other long-term debt. This represents decrease of approximately 4.36 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 2012 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	2013	2012-2013
General obligation bonds	\$ 18,785	\$ 18,150	-3.38%
Revenue bonds	790	405	-48.73
Capital Loan Notes	470	400	-14.89%
Capital Leases	-0-	340	100.00%
Termination Benefits	202	22	-89.11%
Net OPEB liability	203	241	18.72%
Totals	<u>\$ 20,450</u>	<u>\$ 19,558</u>	<u>-4.36%</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, the October 2012 enrollment count was up by 24.6 students, and the October 2013 enrollment count was up 21.29 students. Enrollment growth is expected for the next several years due to the aggressive tax abatement program.
- 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 2014 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 legislature set the 2014 rate at 4%. If the legislature continues to set the allowable growth rate at 4% or more, and enrollment continues to rise, the District should remain in good financial health.
- 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 Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	16,893,594	345,538	17,239,132
Receivables:			
Property tax:			
Delinquent	43,404	-	43,404
Succeeding year	7,097,480	-	7,097,480
Accounts	23,357	1,251	24,608
Due from other governments	396,358	-	396,358
Inventories	-	8,311	8,311
Capital assets, net of accumulated depreciation	18,072,945	55,553	18,128,498
Total assets	42,527,138	410,653	42,937,791
Liabilities			
Accounts payable	173,131	2,122	175,253
Salaries and benefits payable	1,455,241	38,047	1,493,288
Accrued interest payable	103,590	-	103,590
Deferred revenue:			
Succeeding year property tax	7,097,480	-	7,097,480
Other	3,230	19,645	22,875
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	8,815,000	-	8,815,000
Revenue bonds payable	405,000	-	405,000
Capital loan notes payable	100,000	-	100,000
Capital leases	109,982	-	109,982
Termination benefits	22,090	-	22,090
Portion due after one year:			
General obligation bonds payable	9,335,000	-	9,335,000
Capital loan notes payable	300,000	-	300,000
Capital leases	230,297	-	230,297
Net OPEB liability	240,621	8,329	248,950
Total liabilities	28,390,662	68,143	28,458,805

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net Position			
Net investment in capital assets	7,567,945	55,553	7,623,498
Restricted for:			
Categorical funding	95,552	-	95,552
Management levy	1,169,356	-	1,169,356
Physical plant and equipment levy	179,003	-	179,003
Student activities	307,448	-	307,448
School infrastructure	754,311	-	754,311
Debt service	210,510	-	210,510
Unrestricted	<u>3,852,351</u>	<u>286,957</u>	<u>4,139,308</u>
Total net position	<u><u>14,136,476</u></u>	<u><u>342,510</u></u>	<u><u>14,478,986</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2013

Functions/Programs	<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	6,700,671	1,253,652	976,667	-
Special	2,167,376	206,010	174,795	-
Other	1,399,681	255,309	123,864	-
	<u>10,267,728</u>	<u>1,714,971</u>	<u>1,275,326</u>	<u>-</u>
Support services:				
Student	366,132	-	19,307	-
Instructional staff	511,460	-	-	-
Administration	1,615,415	-	-	-
Operation and maintenance of plant	1,225,433	25,674	-	-
Transportation	663,124	7,233	4,720	-
	<u>4,381,564</u>	<u>32,907</u>	<u>24,027</u>	<u>-</u>
Non-instructional programs	-	95,261	-	-
Other expenditures:				
Facilities acquisition	141,998	5,000	-	-
Long-term debt interest	574,506	-	23,559	-
AEA flowthrough	521,232	-	521,232	-
Depreciation (unallocated)*	544,854	-	-	-
	<u>1,782,590</u>	<u>5,000</u>	<u>544,791</u>	<u>-</u>
Total governmental activities	<u>16,431,882</u>	<u>1,848,139</u>	<u>1,844,144</u>	<u>-</u>
Business type activities:				
Food service operations	772,509	517,543	284,512	-
Childcare	30,730	68,836	-	-
Total business type activities	<u>803,239</u>	<u>586,379</u>	<u>284,512</u>	<u>-</u>
Total	<u>17,235,121</u>	<u>2,434,518</u>	<u>2,128,656</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net position

Net position beginning of year

Net position end of year

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(4,470,352)	-	(4,470,352)
(1,786,571)	-	(1,786,571)
(1,020,508)	-	(1,020,508)
<u>(7,277,431)</u>	<u>-</u>	<u>(7,277,431)</u>
(346,825)	-	(346,825)
(511,460)	-	(511,460)
(1,615,415)	-	(1,615,415)
(1,199,759)	-	(1,199,759)
(651,171)	-	(651,171)
<u>(4,324,630)</u>	<u>-</u>	<u>(4,324,630)</u>
95,261	-	95,261
(136,998)	-	(136,998)
(550,947)	-	(550,947)
-	-	-
(544,854)	-	(544,854)
<u>(1,232,799)</u>	<u>-</u>	<u>(1,232,799)</u>
<u>(12,739,599)</u>	<u>-</u>	<u>(12,739,599)</u>
-	29,546	29,546
-	38,106	38,106
-	67,652	67,652
<u>(12,739,599)</u>	<u>67,652</u>	<u>(12,671,947)</u>
5,214,794	-	5,214,794
951,667	-	951,667
513,044	-	513,044
1,228,694	-	1,228,694
6,338,337	-	6,338,337
11,958	428	12,386
17,635	-	17,635
<u>14,276,129</u>	<u>428</u>	<u>14,276,557</u>
28,000	(28,000)	-
<u>14,304,129</u>	<u>(27,572)</u>	<u>14,276,557</u>
1,564,530	40,080	1,604,610
<u>12,571,945</u>	<u>302,430</u>	<u>12,874,375</u>
<u>14,136,475</u>	<u>342,510</u>	<u>14,478,985</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2013

	General	Debt Service	Nonmajor Governmenta	Total
	\$	\$	\$	\$
Assets				
Cash, cash equivalents and pooled investments	5,906,783	8,758,949	2,227,862	16,893,594
Receivables:				
Property tax:				
Delinquent	30,692	5,651	7,061	43,404
Succeeding year	4,504,146	1,454,949	1,138,385	7,097,480
Accounts	15,184	2,500	5,673	23,357
Due from other governments	189,131	-	207,227	396,358
Total assets	10,645,936	10,222,049	3,586,208	24,454,193
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	154,516	3,000	15,615	173,131
Salaries and benefits payable	1,455,241	-	-	1,455,241
Deferred revenue:				
Succeeding year property tax	4,504,146	1,454,949	1,138,385	7,097,480
Other	3,230	-	-	3,230
Total liabilities	6,117,133	1,457,949	1,154,000	8,729,082
Fund balances:				
Restricted for:				
Categorical funding	95,552	-	-	95,552
Debt service	-	8,764,100	-	8,764,100
Management levy	-	-	1,191,446	1,191,446
Student activities	-	-	307,448	307,448
School infrastructure	-	-	754,311	754,311
Physical plant and equipment	-	-	179,003	179,003
Assigned	104,564	-	-	104,564
Unassigned	4,328,687	-	-	4,328,687
Total fund balances	4,528,803	8,764,100	2,432,208	15,725,111
Total liabilities and fund balances	10,645,936	10,222,049	3,586,208	24,454,193

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

\$

Total fund balances of governmental funds (Exhibit C)	15,725,111
<i>Amounts reported for governmental activities in the Statement of Net Position 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.	18,072,945
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.	(103,590)
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>(19,557,990)</u>
Net Position of governmental activities (Exhibit A)	<u><u>14,136,476</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	4,636,329	951,667	2,320,203	7,908,199
Tuition	1,218,042	-	-	1,218,042
Other	285,316	23,559	356,739	665,614
State sources	7,822,886	400	464	7,823,750
Federal sources	335,172	-	-	335,172
Total revenues	<u>14,297,745</u>	<u>975,626</u>	<u>2,677,406</u>	<u>17,950,777</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,960,529	-	893,058	6,853,587
Special	2,159,102	-	-	2,159,102
Other	1,069,295	-	331,358	1,400,653
	<u>9,188,926</u>	<u>-</u>	<u>1,224,416</u>	<u>10,413,342</u>
Support services:				
Student	348,182	-	16,768	364,950
Instructional staff	492,868	-	1,649	494,517
Administration	1,527,847	-	83,431	1,611,278
Operation and maintenance of plant	1,000,153	-	214,291	1,214,444
Transportation	509,355	-	153,182	662,537
	<u>3,878,405</u>	<u>-</u>	<u>469,321</u>	<u>4,347,726</u>
Other expenditures:				
Facilities acquisition	-	-	560,796	560,796
Long-term debt:				
Principal	-	1,210,531	-	1,210,531
Interest and fiscal charges	-	575,260	1,050	576,310
AEA flowthrough	521,232	-	-	521,232
	<u>521,232</u>	<u>1,785,791</u>	<u>561,846</u>	<u>2,868,869</u>
Total expenditures	<u>13,588,563</u>	<u>1,785,791</u>	<u>2,255,583</u>	<u>17,629,937</u>
Excess (deficiency) of revenues over (under) expenditures	<u>709,182</u>	<u>(810,165)</u>	<u>421,823</u>	<u>320,840</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Proceeds from capital leases	-	-	460,811	460,811
Sales of equipment	14,230	-	-	14,230
Operating transfers in	26,000	953,130	2,000	981,130
Operating transfers out	-	-	(953,130)	(953,130)
Total other financing sources (uses)	<u>40,230</u>	<u>953,130</u>	<u>(490,319)</u>	<u>503,041</u>
Change in fund balances	749,412	142,965	(68,496)	823,881
Fund balances beginning of year	<u>3,779,391</u>	<u>8,621,135</u>	<u>2,500,704</u>	<u>14,901,230</u>
Fund balances end of year	<u><u>4,528,803</u></u>	<u><u>8,764,100</u></u>	<u><u>2,432,208</u></u>	<u><u>15,725,111</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, 2013

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		823,881
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Gain on disposal of capital assets	3,405	
Expenditures for capital assets	527,784	
Depreciation expense	<u>(677,382)</u>	(146,193)
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 Position.		1,210,531
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.		1,804
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	179,641	
Other postemployment benefits	<u>(44,323)</u>	135,318
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Position.		<u>(460,811)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>1,564,530</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2013

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	345,538
Accounts receivable	1,251
Inventories	8,311
Total current assets	<u>355,100</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>55,553</u>
Total assets	<u>410,653</u>
Liabilities	
Current liabilities:	
Accounts payable	2,122
Salaries and benefits payable	38,047
Deferred revenue	19,645
Total current liabilities	<u>59,814</u>
Noncurrent liabilities:	
Net OPEB liability	<u>8,329</u>
Total liabilities	<u>68,143</u>
Net position	
Investment in capital assets	55,553
Unrestricted	<u>286,957</u>
Total net position	<u><u>342,510</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>586,379</u>
Operating expenses:	
Salaries	278,302
Benefits	68,882
Purchased services	25,638
Supplies	414,468
Depreciation	11,709
Other	4,240
Total operating expenses	<u>803,239</u>
Operating income (loss)	<u>(216,860)</u>
Non-operating revenues:	
State sources	6,096
Federal sources	278,416
Interest income	428
Total non-operating revenues	<u>284,940</u>
Income (loss) before transfers	68,080
Transfers in (out)	<u>(28,000)</u>
Change in net position	40,080
Net position beginning of year	<u>302,430</u>
Net position end of year	<u><u>342,510</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2013

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	530,912
Cash received from childcare services	68,566
Cash payments to employees for services	(345,518)
Cash payments to suppliers for goods or services	(397,933)
Net cash used by operating activities	<u>(143,973)</u>
Cash flows from non-capital financing activities:	
Transfer from (to) other funds	(28,000)
State grants received	6,096
Federal grants received	233,812
Net cash provided by non-capital financing activities	<u>211,908</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(17,762)</u>
Cash flows from investing activities:	
Interest on investments	<u>428</u>
Net increase (decrease) in cash and cash equivalents	50,601
Cash and cash equivalents at beginning of year	<u>294,937</u>
Cash and cash equivalents at end of year	<u><u>345,538</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(216,860)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	44,604
Depreciation	11,709
Decrease (increase) in inventories	(313)
Decrease (increase) in accounts receivable	(1,251)
(Decrease) increase in accounts payable	2,122
(Decrease) increase in salaries and benefits payable	484
(Decrease) increase in deferred revenue	14,350
(Decrease) increase in OPEB liability	1,182
Net cash used by operating activities	<u><u>(143,973)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$44,604 of federal commodities.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
Assets		
Cash and pooled investments	3,050	6,607
Liabilities		
Accounts payable	<u>-</u>	<u>6,607</u>
Net Position		
Reserved for scholarships	<u><u>3,050</u></u>	<u><u>-</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	2,500
Deductions:	
Support services:	
Scholarships awarded	<u>-</u>
Change in net position	2,500
Net position beginning of year	<u>550</u>
Net position end of year	<u><u>3,050</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

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 Position (previously referred to as 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 Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 property tax and other revenues to be used for the payment of interest and principal on the District's general 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 position and changes in net position. 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 position 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.

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, Cash Equivalents and Pooled Investments - 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012, through June 30, 2013, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. 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	500
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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position 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 Position.

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 the preceding classifications.

E. Budgeting and Budgetary Control

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

2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2013 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, 2013, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
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	467,372

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, 2013 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service	Nonmajor Governmental, Capital Projects	953,130
Nonmajor Governmental, Capital Projects	Nonmajor Enterprise, Childcare Fund	2,000
General Fund	Nonmajor Enterprise, Childcare Fund	26,000

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, 2013 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	669,715	-	-	669,715
Construction in progress	53,743	365,423	419,166	-
Total capital assets not being depr.	<u>723,458</u>	<u>365,423</u>	<u>419,166</u>	<u>669,715</u>
Capital assets being depreciated:				
Buildings	23,515,031	188,270	-	23,703,301
Improvements other than buildings	1,252,695	284,271	-	1,536,966
Furniture and equipment	1,954,293	108,986	148,735	1,914,544
Total capital assets being deprec.	<u>26,722,019</u>	<u>581,527</u>	<u>148,735</u>	<u>27,154,811</u>

Less accumulated depreciation for:				
Buildings	6,852,587	502,666	(1,722)	7,356,975
Improvements other than buildings	857,025	42,188	-	899,213
Furniture and equipment	1,516,727	132,528	153,862	1,495,393
Total accumulated depreciation	<u>9,226,339</u>	<u>677,382</u>	<u>152,140</u>	<u>9,751,581</u>
Total capital assets being depreciated, net	<u>17,495,680</u>	<u>(95,855)</u>	<u>(3,405)</u>	<u>17,403,230</u>
Governmental activities capital assets, net	<u>18,219,138</u>	<u>269,568</u>	<u>415,761</u>	<u>18,072,945</u>
	Balance			Balance End
	Beginning of			of Year
	Year	Increases	Decreases	
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	252,556	17,762	4,909	265,409
Less accumulated depreciation	<u>203,056</u>	<u>11,709</u>	<u>4,909</u>	<u>209,856</u>
Business type activities capital assets, net	<u>49,500</u>	<u>6,053</u>	<u>-</u>	<u>55,553</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	1,018
Other	13,875
Support services:	
Instructional support	16,057
Operation and maintenance of plant services	8,625
Transportation	<u>92,953</u>
	132,528
Unallocated depreciation	<u>544,854</u>
Total depreciation expense – governmental activities	<u>677,382</u>
Business type activities:	
Food services	<u>11,709</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	18,785,000	-	635,000	18,150,000	8,815,000
Revenue bonds	790,000	-	385,000	405,000	405,000
Capital loan notes	470,000	-	70,000	400,000	100,000
Capital leases	-	460,810	120,531	340,279	109,982
Termination benefits	201,731	22,090	201,731	22,090	22,090
Net OPEB liability	196,298	44,323	-	240,621	-
Total	20,443,029	527,223	1,412,262	19,557,990	9,452,072
Business type activities:					
Net OPEB liability	7,147	1,182	-	8,329	-

Termination Benefits

The District offered a voluntary early retirement plan for employees for fiscal year 2013. 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 2013.

At June 30, 2013, the District has obligations to one participant with a total liability of \$22,090. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$201,731.

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of October 2003			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2014	3.65-4.40	2,325,000	95,766	2,420,766

Year Ending June 30,	Bond Issue of October 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2014	3.40-4.30	6,490,000	258,570	6,748,570

Bond Issue of April 2006				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2014	-	-	37,613	37,613
2015	-	-	37,613	37,613
2016	-	-	37,613	37,613
2017	-	-	37,613	37,613
2018	-	-	37,613	37,613
2019-2023	-	-	188,065	188,065
2024-2025	4.25	885,000	75,226	960,226
Total		885,000	451,356	1,336,356

Crossover Bond Refunding Issue of May 2012				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	1.20	910,000	98,015	1,008,015
2019-2023	1.40-2.10	4,755,000	285,395	5,040,395
2024	2.20	100,000	2,200	102,200
Total		8,450,000	846,855	9,296,855

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% and 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, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of May 2006				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2014	4.0	405,000	16,200	421,200

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 \$421,200. For the current year, \$416,600 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,228,694.

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:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
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
		<u>400,000</u>	<u>8,250</u>	<u>408,250</u>

Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2013.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		<u>\$</u>
	2014	120,531
	2015	120,531
	2016	120,530
Minimum Lease Payments		<u>361,592</u>
Less Amount Representing Interest		<u>21,312</u>
Present Value of Minimum Lease Payments		<u>340,280</u>

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 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$754,230, \$677,997, and \$572,829 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	95,915
Interest on net OPEB obligation	5,086
Adjustment to annual required contribution	<u>(37,002)</u>
Annual OPEB cost	63,999
Contributions made	<u>18,494</u>
Increase in net OPEB obligation	45,505
Net OPEB obligation beginning of year	<u>203,445</u>
Net OPEB obligation end of year	<u><u>248,950</u></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, 2013.

For the year ended June 30, 2013, the District contributed \$18,494 to the medical plan. Plan members eligible for benefits contributed \$101,992, 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, 2013 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$		\$
2010	82,529	49%	64,942
2011	78,685	51%	103,411
2012	122,082	18%	203,445
2013	63,999	29%	248,950

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$548,623, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$548,623. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,170,000, and the ratio of the UAAL to covered payroll was 7.7%. As of June 30, 2013, 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 \$521,232 for the year ended June 30, 2013 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 four years are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>	<u>Local Area Network Services</u>
	\$	
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, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and talented	32,379
Teacher salary supplement	32,291
Core curriculum	19,304
Limited English proficiency	4,804
Market factor	6,774
	<u>95,552</u>

REQUIRED SUPPLEMENTARY INFORMATION

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2013

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	9,791,855	586,807	10,378,662	10,384,005	10,384,005	(5,343)
State sources	7,823,750	6,096	7,829,846	7,921,135	7,921,135	(91,289)
Federal sources	335,172	278,416	613,588	600,000	600,000	13,588
Total revenues	<u>17,950,777</u>	<u>871,319</u>	<u>18,822,096</u>	<u>18,905,140</u>	<u>18,905,140</u>	<u>(83,044)</u>
Expenditures/Expenses:						
Instruction	10,413,342	-	10,413,342	10,505,000	10,505,000	91,658
Support services	4,347,726	-	4,347,726	5,323,850	5,323,850	976,124
Non-instructional programs	-	803,239	803,239	782,000	782,000	(21,239)
Other expenditures	2,868,869	-	2,868,869	2,896,382	3,096,372	227,503
Total expenditures/expenses	<u>17,629,937</u>	<u>803,239</u>	<u>18,433,176</u>	<u>19,507,232</u>	<u>19,707,222</u>	<u>1,274,046</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	320,840	68,080	388,920	(602,092)	(802,082)	1,191,002
Other financing sources (uses) net	<u>503,041</u>	<u>(28,000)</u>	<u>475,041</u>	<u>-</u>	<u>-</u>	<u>475,041</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	823,881	40,080	863,961	(602,092)	(802,082)	1,666,043
Balance beginning of year	<u>14,901,230</u>	<u>302,430</u>	<u>15,203,660</u>	<u>5,797,856</u>	<u>5,797,856</u>	<u>9,405,804</u>
Balance end of year	<u>15,725,111</u>	<u>342,510</u>	<u>16,067,621</u>	<u>5,195,764</u>	<u>4,995,774</u>	<u>11,071,847</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2013

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. 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 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 \$199,990.

During the year ended June 30, 2013, expenditures in the noninstructional function exceeded the amount budgeted.

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%
2013	July 1, 2011	-	548,623	548,623	0.0%	7,170,000	7.7%

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, 2013

Assets	Special Revenue Fund			Total
	Management Levy	Student Activity	Capital Projects	
	\$	\$	\$	
Cash, cash equivalents and pooled investments	1,192,549	311,160	724,153	2,227,862
Receivables:				
Property tax:				
Delinquent	3,829	-	3,232	7,061
Succeeding year	604,999	-	533,386	1,138,385
Accounts	-	673	5,000	5,673
Due from other governments	-	-	207,227	207,227
Total assets	1,801,377	311,833	1,472,998	3,586,208
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	4,932	4,385	6,298	15,615
Deferred revenue:				
Succeeding year property tax	604,999	-	533,386	1,138,385
Total liabilities	609,931	4,385	539,684	1,154,000
Fund balances:				
Restricted for:				
Management levy	1,191,446	-	-	1,191,446
Student activities	-	307,448	-	307,448
School infrastructure	-	-	754,311	754,311
Physical plant and equipment	-	-	179,003	179,003
Total fund balances	1,191,446	307,448	933,314	2,432,208
Total liabilities and fund balances	1,801,377	311,833	1,472,998	3,586,208

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Special Revenue Fund			Total
	Management Levy	Student Activity	Capital Projects	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	578,465	-	1,741,738	2,320,203
Other	7,609	343,214	5,916	356,739
State sources	249	-	215	464
Total revenues	<u>586,323</u>	<u>343,214</u>	<u>1,747,869</u>	<u>2,677,406</u>
Expenditures:				
Current:				
Instruction:				
Regular	170,307	-	722,751	893,058
Other	-	331,358	-	331,358
Support services:				
Student	16,768	-	-	16,768
Instructional staff	-	1,649	-	1,649
Administration	43,859	125	39,447	83,431
Operation and maintenance of plant	197,900	1,282	15,109	214,291
Transportation	36,808	-	116,374	153,182
Other expenditures:				
Facilities acquisition	-	-	560,796	560,796
Long-term debt:				
Interest and fiscal charges	-	-	1,050	1,050
Total expenditures	<u>465,642</u>	<u>334,414</u>	<u>1,455,527</u>	<u>2,255,583</u>
Excess (deficiency) of revenues over (under) expenditures	<u>120,681</u>	<u>8,800</u>	<u>292,342</u>	<u>421,823</u>
Other financing sources (uses):				
Proceeds from capital leases	-	-	460,811	460,811
Operating transfers in	-	-	2,000	2,000
Operating transfers out	-	-	(953,130)	(953,130)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(490,319)</u>	<u>(490,319)</u>
Net change in fund balances	120,681	8,800	(197,977)	(68,496)
Fund balances beginning of year	<u>1,070,765</u>	<u>298,648</u>	<u>1,131,291</u>	<u>2,500,704</u>
Fund balances end of year	<u><u>1,191,446</u></u>	<u><u>307,448</u></u>	<u><u>933,314</u></u>	<u><u>2,432,208</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2013

	Nonmajor Enterprise Funds		
	School Nutrition	Childcare	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	274,407	71,131	345,538
Accounts receivable	1,021	230	1,251
Inventories	8,311	-	8,311
Capital assets, net of accumulated depreciation	55,553	-	55,553
Total assets	<u>339,292</u>	<u>71,361</u>	<u>410,653</u>
Liabilities			
Accounts payable	2,122	-	2,122
Salaries and benefits payable	35,756	2,291	38,047
Deferred revenue	19,645	-	19,645
Net OPEB liability	8,329	-	8,329
Total liabilities	<u>65,852</u>	<u>2,291</u>	<u>68,143</u>
Net position			
Investment in capital assets	55,553	-	55,553
Unrestricted	217,887	69,070	286,957
Total net position	<u>273,440</u>	<u>69,070</u>	<u>342,510</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Nonmajor Enterprise Funds		
	School Nutrition	Childcare	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	517,543	68,836	586,379
Operating expenses:			
Salaries	256,774	21,528	278,302
Benefits	63,549	5,333	68,882
Purchased services	25,638	-	25,638
Supplies	410,599	3,869	414,468
Depreciation	11,709	-	11,709
Other	4,240	-	4,240
Total operating expenses	772,509	30,730	803,239
Operating income (loss)	(254,966)	38,106	(216,860)
Non-operating revenue (expenses):			
State sources	6,096	-	6,096
Federal sources	278,416	-	278,416
Interest income	286	142	428
Total non-operating revenue	284,798	142	284,940
Income (loss) before transfers	29,832	38,248	68,080
Transfers in (out)	-	(28,000)	(28,000)
Change in net position	29,832	10,248	40,080
Net position beginning of year	243,608	58,822	302,430
Net position end of year	273,440	69,070	342,510

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2013

	<u>Nonmajor Enterprise Funds</u>		
	School		Total
	<u>Nutrition</u>	<u>Childcare</u>	<u>Total</u>
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	530,912	-	530,912
Cash received from childcare services	-	68,566	68,566
Cash payments to employees for services	(318,528)	(26,990)	(345,518)
Cash payments to suppliers for goods or services	(394,064)	(3,869)	(397,933)
Net cash (used) provided by operating activities	<u>(181,680)</u>	<u>37,707</u>	<u>(143,973)</u>
Cash flows from non-capital financing activities:			
Transfer from (to) other funds	-	(28,000)	(28,000)
State grants received	6,096	-	6,096
Federal grants received	233,812	-	233,812
Net cash (used) provided by non-capital financing activities	<u>239,908</u>	<u>(28,000)</u>	<u>211,908</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(17,762)</u>	<u>-</u>	<u>(17,762)</u>
Cash flows from investing activities:			
Interest on investments	<u>286</u>	<u>142</u>	<u>428</u>
Net increase (decrease) in cash and cash equivalents	40,752	9,849	50,601
Cash and cash equivalents at beginning of year	<u>233,655</u>	<u>61,282</u>	<u>294,937</u>
Cash and cash equivalents at end of year	<u>274,407</u>	<u>71,131</u>	<u>345,538</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(254,966)	38,106	(216,860)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	44,604	-	44,604
Depreciation	11,709	-	11,709
Decrease (increase) in inventories	(313)	-	(313)
Decrease (increase) in accounts receivable	(1,021)	(230)	(1,251)
(Decrease) increase in accounts payable	2,122	-	2,122
(Decrease) increase in salaries and benefits payable	613	(129)	484
(Decrease) increase in deferred revenue	14,390	(40)	14,350
(Decrease) increase in OPEB liability	1,182	-	1,182
Net cash (used) provided by operating activities	<u>(181,680)</u>	<u>37,707</u>	<u>(143,973)</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Projects Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash, cash equivalents and pooled investments	542,084	182,069	724,153
Receivables:			
Property tax:			
Delinquent	-	3,232	3,232
Succeeding year	-	533,386	533,386
Accounts	5,000	-	5,000
Due from other governments	207,227	-	207,227
Total assets	754,311	718,687	1,472,998
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	-	6,298	6,298
Deferred revenue:			
Succeeding year property tax	-	533,386	533,386
Total liabilities	-	539,684	539,684
Fund balances:			
Restricted for:			
School infrastructure	754,311	-	754,311
Physical plant and equipment	-	179,003	179,003
Total fund balances	754,311	179,003	933,314
Total liabilities and fund balances	754,311	718,687	1,472,998

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	1,228,694	513,044	1,741,738
Other	5,788	128	5,916
State sources	-	215	215
Total revenues	<u>1,234,482</u>	<u>513,387</u>	<u>1,747,869</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	722,751	722,751
Support services:			
Administration services	-	39,447	39,447
Operation and maintenance of plant	15,109	-	15,109
Transportation services	-	116,374	116,374
Other expenditures:			
Facilities acquisition	560,796	-	560,796
Long-term debt fiscal charges	1,050	-	1,050
Total expenditures	<u>576,955</u>	<u>878,572</u>	<u>1,455,527</u>
Excess (deficiency) of revenues over (under) expenditures	<u>657,527</u>	<u>(365,185)</u>	<u>292,342</u>
Other financing sources (uses):			
Proceeds from capital leases and lease purchases	-	460,811	460,811
Operating transfers in	2,000	-	2,000
Operating transfers out	(759,214)	(193,916)	(953,130)
Total other financing sources (uses)	<u>(757,214)</u>	<u>266,895</u>	<u>(490,319)</u>
Net change in fund balance	(99,687)	(98,290)	(197,977)
Fund balances beginning of year	<u>853,998</u>	<u>277,293</u>	<u>1,131,291</u>
Fund balance end of year	<u><u>754,311</u></u>	<u><u>179,003</u></u>	<u><u>933,314</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
<u>HIGH SCHOOL</u>					
Interest	-	550	-	(550)	-
Cross country	555	3,262	4,490	673	-
Golf	2,037	4,975	6,504	-	508
Weight	633	-	4,536	3,903	-
Boys basketball	15,938	7,868	9,122	-	14,684
Football	3,745	53,068	53,865	-	2,948
Boys soccer	3,469	9,243	9,286	-	3,426
Baseball	65	20,814	24,232	3,353	-
Boys track	6,637	5,596	7,020	-	5,213
Wrestling	11,404	23,948	29,273	-	6,079
Girls basketball	977	5,145	8,856	2,734	-
Volleyball	8,548	15,865	16,131	-	8,282
Girls soccer	2,490	9,774	11,575	-	689
Softball	5,011	5,186	8,067	-	2,130
Girls track	7,917	4,137	6,324	-	5,730
Athletics	60,799	18,338	6,706	(10,692)	61,739
Ecology club	-	394	261	-	133
Button club	63	-	-	-	63
High school prom	2,807	5,560	6,862	-	1,505
Special events	106,909	76,194	57,378	-	125,725
Facilities planning committee	24,696	-	-	-	24,696
Drama	8,643	4,101	5,098	-	7,646
Speech contest	3,098	5,123	2,857	-	5,364
French club	1,355	6,726	6,634	-	1,447
National Honor Society	460	1,040	1,108	-	392
Danz team	1,905	5,284	4,478	-	2,711
SADD	1,689	457	500	-	1,646
Thespian club	727	571	618	-	680
Student council	1,433	7,527	6,916	-	2,044
TSA	716	2,778	2,162	-	1,332
Yearbook	5,838	15,935	13,779	-	7,994
High school hall of fame	2,600	-	-	-	2,600
Cheerleading	3,543	18,078	15,264	-	6,357
Academic decathlon	33	515	1,015	467	-
Mock trial	-	175	287	112	-
Middle school yearbook	810	1,811	-	-	2,621
6-7 student council	1,098	3,176	3,210	-	1,064
	<u>298,648</u>	<u>343,214</u>	<u>334,414</u>	<u>-</u>	<u>307,448</u>
Total	298,648	343,214	334,414	-	307,448

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2013

	Sales Tax Shared with City of Adel <u> </u> \$	Regional Tournaments <u> </u> \$	<u> </u> Total \$
Balance beginning of year	-	-	-
Additions:			
Collections	27,424	22,624	50,048
Deductions:			
Miscellaneous	<u>27,424</u>	<u>22,624</u>	<u>50,048</u>
Balance end of year	<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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	7,908,199	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
Tuition	1,218,042	1,102,647	1,016,093	1,048,627	1,078,218	1,033,535	909,651	876,667	900,135	804,321
Other	665,614	705,855	569,000	559,022	663,659	667,672	604,678	681,128	641,454	400,666
Intermediate sources	-	-	-	5,975	561	1,447	15,265	-	-	-
State sources	7,823,750	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
Federal sources	335,172	370,549	865,861	1,072,551	387,486	210,555	196,662	636,774	184,708	172,597
Total revenues	17,950,777	17,238,841	16,905,572	15,283,096	15,948,094	15,395,521	14,446,747	14,010,694	12,850,616	11,445,017
Expenditures:										
Instruction:										
Regular	6,853,587	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
Special	2,159,102	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
Other	1,400,653	1,413,393	1,323,624	1,172,293	1,055,468	1,058,125	977,658	1,027,035	986,843	758,781
Support services:										
Student	364,950	373,737	411,461	398,045	329,819	298,198	344,458	303,146	307,132	276,733
Instructional staff	494,517	549,125	485,563	418,460	629,557	606,907	704,582	521,458	381,207	361,792
Administration	1,611,278	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
Operation and maintenance	1,214,444	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
Transportation	662,537	653,952	521,914	500,867	478,775	424,417	573,757	554,551	516,087	451,489
Non-instructional programs	-	-	-	282	2,934	-	-	-	-	5,125
Other expenditures:										
Facilities acquisition	560,796	160,028	299,087	218,170	347,350	405,032	2,223,773	9,437,295	4,194,736	1,008,414
Long-term debt:										
Principal	1,210,531	985,000	955,000	920,000	810,000	830,000	490,000	475,000	400,000	395,000
Interest and other charges	576,310	589,597	520,885	551,610	581,370	610,188	592,307	555,362	556,869	65,134
AEA flowthrough	521,232	499,852	542,779	522,020	484,444	466,146	441,043	409,437	389,902	392,113
Total expenditures	17,629,937	15,953,478	15,314,587	14,619,581	15,122,742	15,074,606	16,425,021	22,599,296	16,603,391	12,275,475

See accompanying independent auditor's report.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 13	35,557
National School Lunch Program (non-cash)	10.555	FY 13	44,604
National School Lunch Program	10.555	FY 13	198,255
			<u>278,416</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	FY 13	113,613
Improving Teacher Quality State Grants	84.367	FY 13	28,149
Grants for State Assessments and Related Activities	84.369	FY 13	9,815
Area Education Agency #11:			
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	FY 13	71,617
Title iii reimbursement	84.365	FY 13	178
Second Chance Reading	84.323	FY 13	91
			<u>71,886</u>
University Northern Iowa:			
IA reading grant	84.396	FY 13	270
Dallas Center Grimes Community School District:			
Career and Technical Education - Basic Grants to States	84.048	FY 13	8,352
Total			<u><u>510,501</u></u>

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

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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the 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 and of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Adel DeSoto Minburn Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Adel DeSoto Minburn Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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 described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 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 which are described in Part IV of the accompanying Schedule of Finding and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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

Adel DeSoto Minburn Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Adel DeSoto Minburn Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

May 1, 2014

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Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Adel DeSoto Minburn Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Adel DeSoto Minburn Community School District's major federal programs for the year ended June 30, 2013. Adel DeSoto Minburn Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Adel DeSoto Minburn Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133. Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Adel DeSoto Minburn Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Adel DeSoto Minburn Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Adel DeSoto Minburn Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Adel DeSoto Minburn Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to

above. In planning and performing our audit of compliance, we considered Adel DeSoto Minburn Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express and opinion on the effectiveness of Adel DeSoto Minburn Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

Adel DeSoto Minburn Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Adel DeSoto Minburn Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Adel DeSoto Minburn Community School District as of and for the year ended June 30, 2013, and have issued our report dated May 1, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB circular A-133 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 the audit of the 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 statement or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standard. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

May 1, 2014

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2013

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Child Nutrition Cluster
 - CFDA Number 10.553 – School Breakfast Program \$ 35,557
 - CFDA Number 10.555 – National School Lunch Program \$ 44,604
 - CFDA Number 10.555 – Food Donation Program \$198,255
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Adel DeSoto Minburn Community School District did not qualify as a low-risk auditee.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2013

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

13-II-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, payroll processing, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

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.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

No matters were reported.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2013

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

No matters were reported.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

13-IV-A Certified Budget: Expenditures for the year ended June 30, 2013, exceeded the certified budget amount budgeted in the non-instructional expenditure function.

Recommendation: The certified budget was amended in accordance with Chapter 24.9 of the Code of Iowa however expenditures still exceeded the budgeted in the non-instructional function.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

13-IV-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

13-IV-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

13-IV-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

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

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

13-IV-H Supplementary Weighting: Supplementary weighting certified to the Department of Education were overstated by 09.

Recommendation: The District should review its control procedures to ensure accurate counts in the future.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

13-IV-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2013

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

- 13-IV-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

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

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

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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		853,998
Revenues/transfers in:		
Statewide sales, services and use tax revenue		1,234,482
Transfer in		2,000
Expenditures/transfers out:		
Other	576,955	
Transfers to Debt Service	759,214	
	759,214	1,336,169
Ending balance		754,311