

ADEL DESOTO MINBURN COMMUNITY SCHOOL
DISTRICT

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

June 30, 2014

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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, 2014, 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, 2014, 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 operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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, 2013 (which are not presented herein) and expressed unmodified 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 March 24, 2015 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 an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards 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

March 24, 2015

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, 2014. We encourage readers to consider this information in conjunction with the District’s financial statements, which follow.

Financial Highlights

- General Fund revenues increased from \$14,297,745 in fiscal 2013 to \$14,631,595 in fiscal 2014, while General Fund expenditures increased from \$13,588,563 in fiscal 2013 to \$14,927,955 in fiscal 2014. The District’s General Fund balance decreased from \$4,528,803 in fiscal 2013 to \$4,275,622 in fiscal 2014, a decrease of \$253,181 from the prior year.
- The decrease in the General Fund balance was expected as the District spends down the cash reserve. The increase in expenditures of \$1,339,392 was much higher than the increase in revenues of \$333,850. The District received less money from Federal sources in 2014 with much of this attributed to a decrease in Medicaid claims.
- The District’s solvency ratio at the end of 2014 was 28.52% compared to 31.33% in 2013. 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. Although there was a slight decrease, the solvency ratio is still much higher than the Board’s minimum target of 10%.
- The District passed a General Obligation Bond vote in February of 2014 with an 84% majority. The \$13,500,000 will pay for site improvements and additional classrooms and renovations at Adel Elementary and DeSoto Intermediate as well as additional classrooms and renovations at the Middle School and High School and renovations at the Old Middle School to relocate the Administration Center for central office staff.
- 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 and \$401,042 in fiscal 2014. 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 used 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.

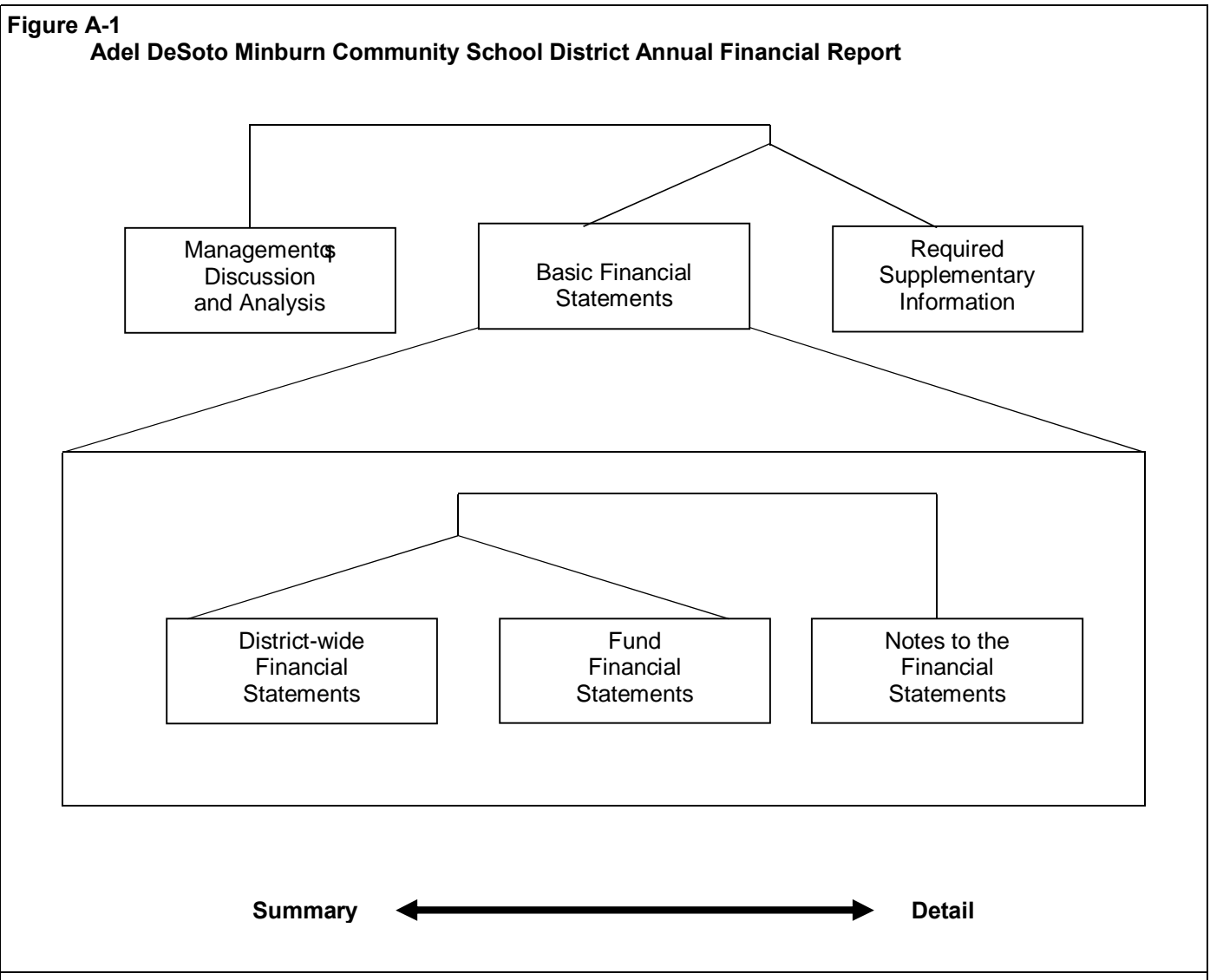


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	Government-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	Statement of net position Statement of Activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position.

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

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, 2014 compared to June 30, 2013.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$27,374	\$24,454	\$ 418	\$ 356	\$27,792	\$24,810	12.02%
Capital assets	17,949	18,073	49	55	17,998	18,128	-.72%
Total assets	<u>45,323</u>	<u>42,527</u>	<u>467</u>	<u>411</u>	<u>45,790</u>	<u>42,938</u>	<u>6.64%</u>
Long-term obligations	20,058	19,558	10	8	20,068	19,566	2.57%
Other liabilities	2,466	1,733	40	40	2,506	1,773	41.34%
Total liabilities	<u>22,524</u>	<u>21,291</u>	<u>50</u>	<u>48</u>	<u>22,574</u>	<u>21,339</u>	<u>5.79</u>
Deferred inflows of resources	<u>6,891</u>	<u>7,100</u>	<u>15</u>	<u>20</u>	<u>6,907</u>	<u>7,120</u>	<u>-2.99%</u>
Net position:							
Net investment in capital assets	7,733	7,568	49	56	7,782	7,624	2.07%
Restricted	4,466	2,716	-0-	-0-	4,466	2,716	64.43%
Unrestricted	<u>3,709</u>	<u>3,852</u>	<u>352</u>	<u>287</u>	<u>4,061</u>	<u>4,139</u>	<u>-1.88%</u>
Total net position	<u>\$15,908</u>	<u>14,136</u>	<u>\$ 401</u>	<u>343</u>	<u>\$ 16,309</u>	<u>14,479</u>	<u>12.64%</u>

The District's total net position increased by 12.64% while total liabilities increased by 5.79%.

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 position increase can be attributed primarily to the increased current and other assets balances reserved in the Capital Projects 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 decreased due to the excess of revenues over expenditures in the General Fund. There was an increase of revenues in the business type activities.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service and sales	\$1,930	\$1,848	\$ 603	\$ 586	\$ 2,533	\$ 2,434	4.06 %
Operating grants, contributions and restricted interest	1,893	1,844	298	285	2,191	2,129	2.91%
Capital grants, contributions and restricted interest	25	-0-	-0-	-0-	25	-0-	.0%
General revenues:							
Property Tax	7,098	6,680	-0-	-0-	7,098	6,680	6.26%
Statewide sales, service & use tax	1,385	1,229	-0-	-0-	1,385	1,229	12.69%
Unrestricted state grants	6,674	6,338	-0-	-0-	6,674	6,338	5.30%
Unrestricted investment earnings	35	12	1	-0-	36	12	200.00%
Other	73	18	-0-	-0-	73	18	305.56%
Transfers	26	28	(26)	(28)	-0-	-0-	0%
Total revenues and transfers	<u>19,139</u>	<u>17,997</u>	<u>876</u>	<u>843</u>	<u>20,015</u>	<u>18,840</u>	<u>6.24%</u>
Program expenses:							
Governmental activities:							
Instruction	10,508	10,268	-0-	-0-	10,508	10,268	2.34%
Support services	4,828	4,381	-0-	-0-	4,828	4,381	10.20%
Non-instructional programs	-0-	-0-	817	803	817	803	1.74%
Other expenses	2,032	1,783	-0-	-0-	2,032	1,783	13.97%
Total expenses	<u>17,368</u>	<u>16,432</u>	<u>817</u>	<u>803</u>	<u>18,185</u>	<u>17,235</u>	<u>5.51%</u>
Change in net position	<u>\$1,771</u>	<u>\$ 1,565</u>	<u>\$59</u>	<u>\$40</u>	<u>\$1,830</u>	<u>\$1,605</u>	<u>14.02%</u>

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84% of total expenses. The increase in net position is tied to increases in revenues from property tax in the Debt Service Fund and the PPEL Fund as well as increases in the Statewide sales, services and use tax and operating grants and contributions received in the General Fund. Total revenue increased by 6.24% whereas program expenses increased by 5.51%.

Governmental Activities

Revenues and transfers for governmental activities were \$19,139,204 and expenses were \$17,367,565.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities
(expressed in thousands)

	Total Cost Of Services	Net Cost Of Services
Instruction	\$ 10,508	\$ 7,328
Support Services	4,828	4,761
Non Instruction programs	0	0
Other expenses	2,032	1,431
Totals	\$ 17,368	\$ 13,520

- The cost financed by users of the District's programs was \$1,930,218.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,893,130.
- The net cost of governmental activities was financed with \$7,097,886 in property tax, \$1,384,810 in Statewide Sales, services and use tax, \$6,673,832 in unrestricted state grants, \$35,190 in interest income, and \$73,500 in other income.

Business Type Activities

Revenues and transfers of the District's business-type activities were \$875,855 and expenses were \$817,244. 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 \$37,073. 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 \$21,538.

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 the District completed the year, its governmental funds reported combined fund balances of \$18,236,023 an increase compared to last year's ending fund balances of \$15,725,111. The General Fund decreased by \$253,181, the Debt Service decreased by \$8,261,529, Management Fund increased by \$365,302, Student Activity Fund decreased by \$50,833 and the Capital Projects Fund increased by \$10,711,153.

Governmental Fund Highlights

- The District's General Fund financial position has decreased slightly but still maintains a healthy position. The financial solvency ratio dropped 2.8% from the prior year due to spending down cash reserves. The District is limited to levying additional cash reserve.
- The District is projected to have increased enrollment over the next several years. Enrollment growth usually means budget growth so the District should be able to maintain its good financial position. The fund balance will continue to be reduced as the reserves are spent down, however the District will be able to levy for cash before it gets too low. In the meantime, additional staffing needs are being met (teachers and associates). In 2014, there were still some staff reductions that were employed in 2009-10 that had not been reinstated

(school improvement director, building and grounds director, and special education coordinator). The savings on these positions affect the District's General Fund balance each year.

- The Debt Service Fund balance decreased by \$8,261,529. In 2012, the District issued \$8,450,000 of crossover refunding bonds. The proceeds were used to pay off the balance of the 2003 and 2004 bond issues on May 1, 2014.
- The Management Fund balance increased from \$1,191,446 to \$1,556,748 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 increased from \$179,003 to \$300,613. Loan payments are due in July and August which will reduce this balance considerably.
 - The Sales Tax account balance increased from \$754,311 to \$1,796,264 as money is being saved for future facility needs such as roofing, a parking lot, and track replacement.

Proprietary Fund Highlights

- The School Nutrition Fund net position increased from \$273,440 at June 30, 2013, to \$310,513 at June 30, 2014, representing an increase of approximately 14 percent. The Nutrition Fund showed an increase of \$10,161 in program sales, an increase in revenue from state and federal sources of \$13,909 and managed to keep expenses to an increase of only 3%.
- The Day Care Fund net position increased from \$69,070 at June 30, 2013, to \$90,608 at June 30, 2014. 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 the other category. 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 ~~pending 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

The District's total actual receipts were \$389,871 more 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.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2014, 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 .72 percent from last year. More detailed information is available in Note 4 to the financial statements. Depreciation expense for the year was \$681,014.

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
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 670	\$ 670	\$ -0-	\$ -0-	\$ 670	670	0.0%
Construction in progress	147	-0-	-0-	-0-	147	-0-	100.00%
Buildings	15,857	16,346	-0-	-0-	15,857	16,346	-2.99%
Improvements other than buildings	596	638	-0-	-0-	596	638	-6.58%
Furniture and equipment	680	419	49	56	729	475	53.47%
Totals	\$ 17,950	\$ 18,073	\$ 49	\$ 56	\$ 17,999	\$ 18,129	-.72%

Long-Term Debt

At June 30, 2014, the District had \$20,057,697 in outstanding general obligation bond debt and other long-term debt. This represents an increase of approximately 2.60 percent from last year. (See Figure A-7)

In February 2014, the voters approved a General Obligations bond of \$13,500,000 for site improvements and additional classrooms and renovations at Adel Elementary and DeSoto Intermediate as well as additional classrooms and renovations at the Middle School and High School and renovations at the Old Middle School to relocate the Administration Center. The District issued \$9,720,000 during 2014. The remaining amount will be issued in 2015.

The revenue bonds issued in May of 2006 were retired during 2014.

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 District used the net proceeds of the crossover refunding bonds to call and pay the balance of the 2003 and 2004 issues on May 1, 2014.

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 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
	2014	2013	2013-2014
General obligation bonds	\$ 19,055	\$ 18,150	4.99%
Revenue bonds	0	405	-100.00%
Capital Loan Notes	478	400	19.50%
Capital Leases	230	340	-32.35%
Termination Benefits	0	22	-100.00%
Net OPEB liability	304	241	26.14%
Totals	<u>\$ 20,067</u>	<u>\$ 19,558</u>	<u>2.60%</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 has impacted enrollment growth for the last couple of years and may continue to impact growth. The October 2011 enrollment count was up by 26.9 students, the October 2012 enrollment count was up by 24.6 students, the October 2013 enrollment count was up 21.29 students and the October 2014 enrollment count was up 48.5 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 General Obligation Bond of \$13,500,000 for classroom additions and renovations. These additions are necessary for the projected increased enrollment.
- The District will negotiate a new agreement during fiscal year 2015 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 state supplemental aid rates (allowable growth) 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 sets the state supplemental aid (allowable growth) rate at 4% or more, and enrollment continues to rise, the District should remain in good financial health.

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, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	19,817,359	410,090	20,227,449
Receivables:			
Property tax:			
Delinquent	44,791	-	44,791
Succeeding year	6,889,338	-	6,889,338
Accounts	37,210	1,433	38,643
Unamortized Discount on bonds issued	141,885	-	141,885
Due from other governments	443,781	-	443,781
Inventories	-	5,961	5,961
Capital assets, net of accumulated depreciation	17,949,105	49,137	17,998,242
Total assets	45,323,469	466,621	45,790,090
Liabilities			
Accounts payable	458,874	71	458,945
Salaries and benefits payable	1,544,257	40,274	1,584,531
Due to other governments	102,197	-	102,197
Accrued interest payable	98,692	-	98,692
Unamortized Bond premium	262,509	-	262,509
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	885,000	-	885,000
Capital loan notes payable	178,257	-	178,257
Capital leases	113,391	-	113,391
Portion due after one year:			
General obligation bonds payable	18,170,000	-	18,170,000
Capital loan notes payable	299,696	-	299,696
Capital leases	116,906	-	116,906
Net OPEB liability	294,447	9,764	304,211
Total liabilities	22,524,226	50,109	22,574,335
Deferred Inflows of Resources:			
Unavailable property tax revenue	6,889,338	-	6,889,338
Other	1,790	15,391	17,181
	6,891,128	15,391	6,906,519

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net Position			
Net investment in capital assets	7,732,779	49,137	7,781,916
Restricted for:			
Categorical funding	152,572	-	152,572
Management levy	1,556,748	-	1,556,748
Physical plant and equipment levy	300,613	-	300,613
Student activities	256,615	-	256,615
School infrastructure	1,796,264	-	1,796,264
Debt service	403,879	-	403,879
Unrestricted	<u>3,708,645</u>	<u>351,984</u>	<u>4,060,629</u>
Total net position	<u><u>15,908,115</u></u>	<u><u>401,121</u></u>	<u><u>16,309,236</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	6,770,412	1,410,092	1,042,788	-
Special	2,416,835	177,498	142,610	-
Other	1,320,410	281,334	125,491	-
	<u>10,507,657</u>	<u>1,868,924</u>	<u>1,310,889</u>	<u>-</u>
Support services:				
Student	436,083	-	19,886	-
Instructional staff	569,921	5,176	-	-
Administration	1,782,926	-	-	-
Operation and maintenance of plant	1,314,185	24,986	-	-
Transportation	724,528	8,745	7,888	-
	<u>4,827,643</u>	<u>38,907</u>	<u>27,774</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	417,267	22,387	-	-
Long-term debt interest	528,677	-	-	24,638
AEA flowthrough	554,467	-	554,467	-
Depreciation (unallocated)*	531,854	-	-	-
	<u>2,032,265</u>	<u>22,387</u>	<u>554,467</u>	<u>24,638</u>
Total governmental activities	<u>17,367,565</u>	<u>1,930,218</u>	<u>1,893,130</u>	<u>24,638</u>
Business type activities:				
Food service operations	787,486	526,056	297,554	-
Childcare	29,758	76,700	-	-
Total business type activities	<u>817,244</u>	<u>602,756</u>	<u>297,554</u>	<u>-</u>
Total	<u>18,184,809</u>	<u>2,532,974</u>	<u>2,190,684</u>	<u>24,638</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 included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(4,317,532)	-	(4,317,532)
(2,096,727)	-	(2,096,727)
(913,585)	-	(913,585)
<u>(7,327,844)</u>	<u>-</u>	<u>(7,327,844)</u>
(416,197)	-	(416,197)
(564,745)	-	(564,745)
(1,782,926)	-	(1,782,926)
(1,289,199)	-	(1,289,199)
(707,895)	-	(707,895)
<u>(4,760,962)</u>	<u>-</u>	<u>(4,760,962)</u>
(394,880)	-	(394,880)
(504,039)	-	(504,039)
-	-	-
(531,854)	-	(531,854)
<u>(1,430,773)</u>	<u>-</u>	<u>(1,430,773)</u>
<u>(13,519,579)</u>	<u>-</u>	<u>(13,519,579)</u>
-	36,124	36,124
-	46,942	46,942
<u>-</u>	<u>83,066</u>	<u>83,066</u>
<u>(13,519,579)</u>	<u>83,066</u>	<u>(13,436,513)</u>
5,106,952	-	5,106,952
1,456,424	-	1,456,424
534,510	-	534,510
1,384,810	-	1,384,810
6,673,832	-	6,673,832
35,190	1,295	36,485
73,500	250	73,750
<u>15,265,218</u>	<u>1,545</u>	<u>15,266,763</u>
26,000	(26,000)	-
<u>15,291,218</u>	<u>(24,455)</u>	<u>15,266,763</u>
1,771,639	58,611	1,830,250
<u>14,136,476</u>	<u>342,510</u>	<u>14,478,986</u>
<u>15,908,115</u>	<u>401,121</u>	<u>16,309,236</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Assets					
Cash, cash equivalents and pooled investments	5,859,438	493,507	11,608,944	1,855,470	19,817,359
Receivables:					
Property tax:					
Delinquent	28,334	9,263	3,396	3,798	44,791
Succeeding year	4,463,931	1,481,917	543,489	400,001	6,889,338
Accounts	18,318	-	18,228	664	37,210
Due from other governments	209,486	151	231,509	2,635	443,781
Total assets	10,579,507	1,984,838	12,405,566	2,262,568	27,232,479
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	192,750	350	217,610	48,164	458,874
Salaries and benefits payable	1,543,217	-	-	1,040	1,544,257
Due to other governments	102,197	-	-	-	102,197
Total liabilities	1,838,164	350	217,610	49,204	2,105,328
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	4,463,931	1,481,917	543,489	400,001	6,889,338
Other	1,790	-	-	-	1,790
Total deferred inflows of resources	4,465,721	1,481,917	543,489	400,001	6,891,128
Fund balances:					
Restricted for:					
Categorical funding	152,572	-	-	-	152,572
Debt service	-	502,571	-	-	502,571
Management levy	-	-	-	1,556,748	1,556,748
Student activities	-	-	-	256,615	256,615
School infrastructure	-	-	11,343,854	-	11,343,854
Physical plant and equipment	-	-	300,613	-	300,613
Committed for future equipment purchases	96,587	-	-	-	96,587
Unassigned	4,026,463	-	-	-	4,026,463
Total fund balances	4,275,622	502,571	11,644,467	1,813,363	18,236,023
Total liabilities, deferred inflows of resources and fund balances	10,579,507	1,984,838	12,405,566	2,262,568	27,232,479

See notes to financial statements.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

June 30, 2014

\$

Total fund balances of governmental funds (Exhibit C)	18,236,023
<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.	17,949,105
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.	(98,692)
Long-term liabilities, including bonds payable, notes payable, termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(20,178,321)</u>
Net Position of governmental activities (Exhibit A)	<u><u>15,908,115</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	4,502,452	1,456,424	534,510	604,500	7,097,886
Tuition	1,282,410	-	-	-	1,282,410
Other	280,821	24,638	66,986	357,312	729,757
State sources	8,263,994	584	1,385,024	251	9,649,853
Federal sources	301,918	-	-	-	301,918
Total revenues	<u>14,631,595</u>	<u>1,481,646</u>	<u>1,986,520</u>	<u>962,063</u>	<u>19,061,824</u>
Expenditures:					
Current:					
Instruction:					
Regular	6,622,549	-	38,841	106,918	6,768,308
Special	2,406,788	-	-	-	2,406,788
Other	922,720	-	-	396,255	1,318,975
	<u>9,952,057</u>	<u>-</u>	<u>38,841</u>	<u>503,173</u>	<u>10,494,071</u>
Support services:					
Student	434,648	-	-	-	434,648
Instructional staff	547,834	-	-	1,332	549,166
Administration	1,657,344	-	95,351	-	1,752,695
Operation and maintenance of plant	1,198,897	-	1,453	110,964	1,311,314
Transportation	582,708	-	283,355	38,103	904,166
	<u>4,421,431</u>	<u>-</u>	<u>380,159</u>	<u>150,399</u>	<u>4,951,989</u>
Other expenditures:					
Facilities acquisition	-	-	682,785	-	682,785
Long-term debt:					
Principal	-	9,493,649	-	-	9,493,649
Interest and fiscal charges	-	536,724	146,205	-	682,929
AEA flowthrough	554,467	-	-	-	554,467
	<u>554,467</u>	<u>10,030,373</u>	<u>828,990</u>	<u>-</u>	<u>11,413,830</u>
Total expenditures	<u>14,927,955</u>	<u>10,030,373</u>	<u>1,247,990</u>	<u>653,572</u>	<u>26,859,890</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(296,360)</u>	<u>(8,548,727)</u>	<u>738,530</u>	<u>308,491</u>	<u>(7,798,066)</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Compensation for loss of fixed assets	-	-	-	5,978	5,978
Sale of real property	-	-	21,875	-	21,875
Proceeds from long-term loans	-	-	241,621	-	241,621
Bonds issued	-	-	9,720,000	-	9,720,000
Bond premium	-	-	276,325	-	276,325
Sales of equipment	17,179	-	-	-	17,179
Operating transfers in	26,000	287,198	-	-	313,198
Operating transfers out	-	-	(287,198)	-	(287,198)
Total other financing sources (uses)	<u>43,179</u>	<u>287,198</u>	<u>9,972,623</u>	<u>5,978</u>	<u>10,308,978</u>
Change in fund balances	(253,181)	(8,261,529)	10,711,153	314,469	2,510,912
Fund balances beginning of year	<u>4,528,803</u>	<u>8,764,100</u>	<u>933,314</u>	<u>1,498,894</u>	<u>15,725,111</u>
Fund balances end of year	<u><u>4,275,622</u></u>	<u><u>502,571</u></u>	<u><u>11,644,467</u></u>	<u><u>1,813,363</u></u>	<u><u>18,236,023</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, 2014

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		2,510,912
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	545,873	
Depreciation expense	<u>(669,713)</u>	(123,840)
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.		9,493,650
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.		11,246
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	22,090	
Other postemployment benefits	<u>(53,826)</u>	(31,736)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Position.		<u>(10,088,593)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>1,771,639</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2014

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	410,090
Accounts receivable	1,433
Inventories	5,961
Total current assets	<u>417,484</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>49,137</u>
Total assets	<u>466,621</u>
Liabilities	
Current liabilities:	
Accounts payable	71
Salaries and benefits payable	40,274
Deferred revenue	15,391
Total current liabilities	<u>55,736</u>
Noncurrent liabilities:	
Net OPEB liability	<u>9,764</u>
Total liabilities	<u>65,500</u>
Net position	
Investment in capital assets	49,137
Unrestricted	<u>351,984</u>
Total net position	<u><u>401,121</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>602,756</u>
Operating expenses:	
Salaries	295,721
Benefits	76,178
Purchased services	28,913
Supplies	405,073
Depreciation	11,359
Total operating expenses	<u>817,244</u>
Operating income (loss)	<u>(214,488)</u>
Non-operating revenues:	
State sources	6,158
Federal sources	291,396
Interest income	1,295
Total non-operating revenues	<u>298,849</u>
Income (loss) before transfers	84,361
Capital contributions	250
Transfers in (out)	<u>(26,000)</u>
Change in net position	58,611
Net position beginning of year	<u>342,510</u>
Net position end of year	<u><u>401,121</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2014

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	521,390
Cash received from childcare services	76,930
Cash paid to employees for services	(368,236)
Cash paid to suppliers for goods or services	(385,430)
Net cash used by operating activities	<u>(155,346)</u>
Cash flows from non-capital financing activities:	
Transfer from (to) other funds	(26,000)
State grants received	6,158
Federal grants received	243,139
Net cash provided by non-capital financing activities	<u>223,297</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(4,694)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,295</u>
Net increase (decrease) in cash and cash equivalents	64,552
Cash and cash equivalents at beginning of year	<u>345,538</u>
Cash and cash equivalents at end of year	<u><u>410,090</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(214,488)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	48,257
Depreciation	11,359
Decrease (increase) in inventories	2,350
Decrease (increase) in accounts receivable	(182)
(Decrease) increase in accounts payable	(2,051)
(Decrease) increase in salaries and benefits payable	2,228
(Decrease) increase in deferred revenue	(4,254)
(Decrease) increase in OPEB liability	1,435
Net cash used by operating activities	<u><u>(155,346)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$48,257 of federal commodities.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

Private
Purpose
Trust
Scholarship

\$

Assets

Cash, cash equivalents and pooled investments

550

Liabilities

-

Net Position

Reserved for scholarships

550

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2014

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	3,500
Deductions:	
Support services:	
Scholarships awarded	<u>6,000</u>
Change in net position	(2,500)
Net position beginning of year	<u>3,050</u>
Net position end of year	<u><u>550</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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 which 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 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 nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following 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 are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints 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. Combining schedules are also included for the Capital Project Fund accounts.

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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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, Deferred Inflows of Resources 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 become 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013, through June 30, 2014, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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.

Deferred Inflows of Resources . 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 inflows of resources 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 inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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, 2014 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, 2014, the District had the following investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$68,120 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

	<u>Fair Value</u>
	\$
Wells Fargo Advantage Government Money Market Fund	450,000

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, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service	Governmental, Capital Projects	287,198
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, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	669,715	-	-	669,715
Construction in progress	-	147,006	-	147,006
Total capital assets not being depr.	<u>669,715</u>	<u>147,006</u>	<u>-</u>	<u>816,721</u>
Capital assets being depreciated:				
Buildings	23,703,301	-	-	23,703,301
Improvements other than buildings	1,536,966	-	-	1,536,966
Furniture and equipment	1,914,544	398,867	-	2,313,411
Total capital assets being deprec.	<u>27,154,811</u>	<u>398,867</u>	<u>-</u>	<u>27,553,678</u>
Less accumulated depreciation for:				
Buildings	7,356,975	489,666	-	7,846,641
Improvements other than buildings	899,213	42,188	-	941,401
Furniture and equipment	1,495,393	137,859	-	1,633,252
Total accumulated depreciation	<u>9,751,581</u>	<u>669,713</u>	<u>-</u>	<u>10,421,294</u>
Total capital assets being depreciated, net	<u>17,403,230</u>	<u>(270,846)</u>	<u>-</u>	<u>17,132,384</u>
Governmental activities capital assets, net	<u>18,072,945</u>	<u>(123,840)</u>	<u>-</u>	<u>17,949,105</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	265,409	4,694	-	270,103
Less accumulated depreciation	209,856	11,301	-	221,157
Business type activities capital assets, net	<u>55,553</u>	<u>(6,607)</u>	<u>-</u>	<u>48,946</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	10,730
Support services:	
Instructional support	19,678
Administration	4,452
Transportation	102,999
	<u>137,859</u>
Unallocated depreciation	<u>531,854</u>
Total depreciation expense . governmental activities	<u><u>669,713</u></u>

Business type activities:
Food services

11,301

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	18,150,000	9,720,000	8,815,000	19,055,000	885,000
Revenue bonds	405,000	-	405,000	-	-
Capital loan notes	400,000	241,621	163,668	477,953	178,257
Capital leases	340,279	-	109,982	230,297	113,391
Termination benefits	22,090	-	22,090	-	-
Net OPEB liability	240,621	53,826	-	294,447	-
Total	<u>19,557,990</u>	<u>10,015,447</u>	<u>9,515,740</u>	<u>20,057,697</u>	<u>1,176,648</u>
Business type activities:					
Net OPEB liability	8,329	1,435	-	9,764	-

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 received an annuity equal to 44% of the employee's regular salary. The annuity payment was made in September 2013.

At June 30, 2014, the District has obligations to no participants therefore no liability. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$22,090.

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 2014			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	3.00	-	363,375	363,375
2016	3.00	-	363,375	363,375
2017	3.00	-	363,375	363,375
2018	3.00	-	363,375	363,375
2019	3.00	-	363,375	363,375
2020-2024	3.00	-	1,816,875	1,816,875
2025-2029	3.00-3.25	2,850,000	1,755,375	4,605,375
2030-2034	4.00	6,870,000	845,800	7,715,800
Total		<u>9,720,000</u>	<u>6,234,925</u>	<u>15,954,925</u>

Bond Issue of April 2006				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	4.25	-	37,613	37,613
2016	4.25	-	37,613	37,613
2017	4.25	-	37,613	37,613
2018	4.25	-	37,613	37,613
2019	4.25	-	37,613	37,613
2020-2024	4.25	-	188,065	188,065
2025	4.25	885,000	37,613	922,613
Total		885,000	413,743	1,298,743

Crossover Bond Refunding Issue of May 2012				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	1.40	925,000	87,095	1,012,095
2020-2024	1.60-2.20	3,930,000	200,500	4,130,500
Total		8,450,000	726,878	9,176,878

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.

Capital Loan Notes

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	0.80	100,000	2,450	102,450
2016	0.90	100,000	1,800	101,800
2017	1.00	100,000	1,000	101,000
		300,000	5,250	305,250

The District issued \$185,954 of capital loan notes during the year ended June 30, 2014. 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>
	%	\$	\$	\$
2015	2.74	60,317	3,351	63,668
2016	2.74	61,970	1,698	63,668
		<u>122,287</u>	<u>5,049</u>	<u>127,336</u>

The District issued \$55,667 of capital loan notes during the year ended June 30, 2014. 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>
	%	\$	\$	\$
2015	3.40	17,940	1,888	19,828
2016	3.40	18,549	1,279	19,828
2017	3.40	19,178	650	19,828
		<u>55,667</u>	<u>3,817</u>	<u>59,484</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, 2014.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2015	120,531
	2016	120,530
Minimum Lease Payments		<u>241,061</u>
Less Amount Representing Interest		<u>10,763</u>
Present Value of Minimum Lease Payments		<u>230,298</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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$833,731, \$754,230, and \$677,997 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	97,308
Interest on net OPEB obligation	6,233
Adjustment to annual required contribution	(32,810)
Annual OPEB cost	<u>70,731</u>
Contributions made	<u>15,470</u>
Increase in net OPEB obligation	55,261
Net OPEB obligation beginning of year	<u>248,950</u>
Net OPEB obligation end of year	<u>304,211</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. 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, 2014.

For the year ended June 30, 2014, the District contributed \$15,470 to the medical plan. Plan members eligible for benefits contributed \$102,770, or 80% 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	\$		\$
2010	82,529	49%	64,942
2011	78,685	51%	103,411
2012	122,082	18%	203,445
2013	63,999	29%	248,950
2014	70,731	22%	304,211

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$511,094, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$511,094. The covered payroll (annual payroll of active employees covered by the plan) was approximately

\$7,230,000, and the ratio of the UAAL to covered payroll was 7.1%. As of June 30, 2014, 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 \$554,467 for the year ended June 30, 2014 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 three years are as follows:

Year Ended June 30	Local Area Network Services
	\$
2015	36,000
2016	36,000
2017	36,000

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and talented	45,797
Teacher salary supplement	34,985
Core curriculum	19,167
Home school assistance program	3,409
Educator quality, professional development	12,094
Early literacy	22,275
Teacher leadership	8,071
Market factor	6,774
	<u>152,572</u>

12. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

13. Construction contracts

The District entered into construction contracts in May and July 2014 in amounts of \$262,500 and \$2,942,719 for projects after the June 30, 2014 year end.

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, 2014

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	9,110,053	604,051	9,714,104	10,851,687	10,851,687	(1,137,583)
State sources	9,649,853	6,158	9,656,011	8,182,871	8,182,871	1,473,140
Federal sources	301,918	291,396	593,314	539,000	539,000	54,314
Total revenues	<u>19,061,824</u>	<u>901,605</u>	<u>19,963,429</u>	<u>19,573,558</u>	<u>19,573,558</u>	<u>389,871</u>
Expenditures/Expenses:						
Instruction	10,494,071	-	10,494,071	11,045,721	11,045,721	551,650
Support services	4,951,989	-	4,951,989	5,051,500	5,051,500	99,511
Non-instructional programs	-	817,244	817,244	790,000	850,000	32,756
Other expenditures	11,413,830	-	11,413,830	3,754,508	12,300,000	886,170
Total expenditures/expenses	<u>26,859,890</u>	<u>817,244</u>	<u>27,677,134</u>	<u>20,641,729</u>	<u>29,247,221</u>	<u>1,570,087</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(7,798,066)	84,361	(7,713,705)	(1,068,171)	(9,673,663)	1,959,958
Other financing sources (uses) net	<u>10,308,978</u>	<u>(25,750)</u>	<u>10,283,228</u>	<u>-</u>	<u>-</u>	<u>10,283,228</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	2,510,912	58,611	2,569,523	(1,068,171)	(9,673,663)	12,243,186
Balance beginning of year	<u>15,725,111</u>	<u>342,510</u>	<u>16,067,621</u>	<u>15,616,620</u>	<u>15,616,620</u>	<u>451,001</u>
Balance end of year	<u><u>18,236,023</u></u>	<u><u>401,121</u></u>	<u><u>18,637,144</u></u>	<u><u>14,548,449</u></u>	<u><u>5,942,957</u></u>	<u><u>12,694,187</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2014

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 \$8,605,492.

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%
2014	July 1, 2011	-	511,094	511,094	0.0%	7,230,000	7.1%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

Assets	Special Revenue Fund		Total
	Management	Student	
	Levy	Activity	
	\$	\$	\$
Cash, cash equivalents and pooled investments	1,557,712	297,758	1,855,470
Receivables:			
Property tax:			
Delinquent	3,798	-	3,798
Succeeding year	400,001	-	400,001
Accounts	-	664	664
Due from other governments	67	2,568	2,635
Total assets	1,961,578	300,990	2,262,568
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	4,829	43,335	48,164
Salaries and benefits payable	-	1,040	1,040
Total liabilities	4,829	44,375	49,204
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	400,001	-	400,001
Fund balances:			
Restricted for:			
Management levy	1,556,748	-	1,556,748
Student activities	-	256,615	256,615
Total fund balances	1,556,748	256,615	1,813,363
Total liabilities, deferred inflows of resources and fund balances	1,961,578	300,990	2,262,568

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

	Special Revenue Fund		Total
	Management Levy	Student Activity	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	604,500	-	604,500
Other	12,942	344,370	357,312
State sources	251	-	251
Total revenues	<u>617,693</u>	<u>344,370</u>	<u>962,063</u>
Expenditures:			
Current:			
Instruction:			
Regular	106,918	-	106,918
Other	-	396,255	396,255
Support services:			
Instructional staff	-	1,332	1,332
Operation and maintenance of plant	107,370	3,594	110,964
Transportation	38,103	-	38,103
Total expenditures	<u>252,391</u>	<u>401,181</u>	<u>653,572</u>
Excess (deficiency) of revenues over (under) expenditures	365,302	(56,811)	308,491
Other financing sources (uses):			
Compensation for loss of fixed assets	-	5,978	5,978
Change in fund balances	365,302	(50,833)	314,469
Fund balances beginning of year	<u>1,191,446</u>	<u>307,448</u>	<u>1,498,894</u>
Fund balances end of year	<u><u>1,556,748</u></u>	<u><u>256,615</u></u>	<u><u>1,813,363</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2014

	Nonmajor Enterprise Funds		
	School Nutrition	Childcare	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	317,258	92,832	410,090
Accounts receivable	1,433	-	1,433
Inventories	5,961	-	5,961
Capital assets, net of accumulated depreciation	48,946	191	49,137
Total assets	373,598	93,023	466,621
Liabilities			
Accounts payable	71	-	71
Salaries and benefits payable	37,859	2,415	40,274
Unavailable revenue	15,391	-	15,391
Net OPEB liability	9,764	-	9,764
Total liabilities	63,085	2,415	65,500
Net position			
Investment in capital assets	48,946	191	49,137
Unrestricted	261,567	90,417	351,984
Total net position	310,513	90,608	401,121

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

	Nonmajor Enterprise Funds		
	School Nutrition	Childcare	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	<u>526,056</u>	<u>76,700</u>	<u>602,756</u>
Operating expenses:			
Salaries	274,176	21,545	295,721
Benefits	72,393	3,785	76,178
Purchased services	28,913	-	28,913
Supplies	400,703	4,370	405,073
Depreciation	11,301	58	11,359
Total operating expenses	<u>787,486</u>	<u>29,758</u>	<u>817,244</u>
Operating income (loss)	<u>(261,430)</u>	<u>46,942</u>	<u>(214,488)</u>
Non-operating revenue (expenses):			
State sources	6,158	-	6,158
Federal sources	291,396	-	291,396
Interest income	949	346	1,295
Total non-operating revenue	<u>298,503</u>	<u>346</u>	<u>298,849</u>
Income (loss) before transfers	37,073	47,288	84,361
Capital contributions	-	250	250
Transfers in (out)	<u>-</u>	<u>(26,000)</u>	<u>(26,000)</u>
Change in net position	37,073	21,538	58,611
Net position beginning of year	<u>273,440</u>	<u>69,070</u>	<u>342,510</u>
Net position end of year	<u><u>310,513</u></u>	<u><u>90,608</u></u>	<u><u>401,121</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2014

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Childcare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	521,390	-	521,390
Cash received from childcare services	-	76,930	76,930
Cash paid to employees for services	(343,031)	(25,205)	(368,236)
Cash paid to suppliers for goods or services	(381,060)	(4,370)	(385,430)
Net cash (used) provided by operating activities	<u>(202,701)</u>	<u>47,355</u>	<u>(155,346)</u>
Cash flows from non-capital financing activities:			
Transfer from (to) other funds	-	(26,000)	(26,000)
State grants received	6,158	-	6,158
Federal grants received	243,139	-	243,139
Net cash (used) provided by non-capital financing activities	<u>249,297</u>	<u>(26,000)</u>	<u>223,297</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(4,694)</u>	<u>-</u>	<u>(4,694)</u>
Cash flows from investing activities:			
Interest on investments	<u>949</u>	<u>346</u>	<u>1,295</u>
Net increase (decrease) in cash and cash equivalents	42,851	21,701	64,552
Cash and cash equivalents at beginning of year	<u>274,407</u>	<u>71,131</u>	<u>345,538</u>
Cash and cash equivalents at end of year	<u>317,258</u>	<u>92,832</u>	<u>410,090</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(261,430)	46,942	(214,488)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	48,257	-	48,257
Depreciation	11,301	58	11,359
Decrease (increase) in inventories	2,350	-	2,350
Decrease (increase) in accounts receivable	(412)	230	(182)
(Decrease) increase in accounts payable	(2,051)	-	(2,051)
(Decrease) increase in salaries and benefits payable	2,103	125	2,228
(Decrease) increase in deferred revenue	(4,254)	-	(4,254)
(Decrease) increase in OPEB liability	1,435	-	1,435
Net cash (used) provided by operating activities	<u>(202,701)</u>	<u>47,355</u>	<u>(155,346)</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Projects Accounts

June 30, 2014

Assets	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Cash, cash equivalents and pooled investments	9,711,825	1,611,852	285,267	11,608,944
Receivables:				
Property tax:				
Delinquent	-	-	3,396	3,396
Succeeding year	-	-	543,489	543,489
Accounts	-	-	18,228	18,228
Due from other governments	-	231,454	55	231,509
Total assets	9,711,825	1,843,306	850,435	12,405,566
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	164,235	47,042	6,333	217,610
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	-	-	543,489	543,489
Fund balances:				
Restricted for:				
School infrastructure	9,547,590	1,796,264	-	11,343,854
Physical plant and equipment	-	-	300,613	300,613
Total fund balances	9,547,590	1,796,264	300,613	11,644,467
Total liabilities, deferred inflows of resources and fund balances	9,711,825	1,843,306	850,435	12,405,566

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	
Revenues:				
Local sources:				
Local tax	-	-	534,510	534,510
Other	4,816	12,160	50,010	66,986
State sources	-	1,384,810	214	1,385,024
Total revenues	<u>4,816</u>	<u>1,396,970</u>	<u>584,734</u>	<u>1,986,520</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	-	-	38,841	38,841
Support services:				
Administration services	-	-	95,351	95,351
Operation and maintenance of plant	-	1,453	-	1,453
Transportation services	-	-	283,355	283,355
Other expenditures:				
Facilities acquisition	307,346	375,439	-	682,785
Long-term debt fiscal charges	146,205	-	-	146,205
Total expenditures	<u>453,551</u>	<u>376,892</u>	<u>417,547</u>	<u>1,247,990</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(448,735)</u>	<u>1,020,078</u>	<u>167,187</u>	<u>738,530</u>
Other financing sources (uses):				
Sale of real property	-	21,875	-	21,875
Proceeds from long-term loans			241,621	241,621
Bonds issued	9,720,000	-	-	9,720,000
Bond premium	276,325	-	-	276,325
Operating transfers out	-	-	(287,198)	(287,198)
Total other financing sources (uses)	<u>9,996,325</u>	<u>21,875</u>	<u>(45,577)</u>	<u>9,972,623</u>
Change in fund balances	9,547,590	1,041,953	121,610	10,711,153
Fund balances beginning of year	-	754,311	179,003	933,314
Fund balance end of year	<u>9,547,590</u>	<u>1,796,264</u>	<u>300,613</u>	<u>11,644,467</u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance
	Beginning of Year				End of Year
	\$	\$	\$	\$	\$
HIGH SCHOOL					
Interest	-	1,163	27	(1,136)	-
FCCLA	-	64	65	1	-
Cross country	-	5,912	6,858	946	-
Golf	508	4,855	11,645	6,282	-
Weight	-	-	4,272	4,272	-
Boys basketball	14,684	8,264	8,375	-	14,573
Football	2,948	48,115	66,459	15,396	-
Boys soccer	3,426	6,449	9,861	-	14
Baseball	-	25,528	39,232	13,704	-
Boys track	5,213	14,417	11,005	-	8,625
Wrestling	6,079	14,100	16,825	-	3,354
Girls basketball	-	11,699	14,743	3,044	-
Volleyball	8,282	15,843	16,108	-	8,017
Girls soccer	689	5,983	5,649	-	1,023
Softball	2,130	6,564	27,485	18,791	-
Girls track	5,730	10,104	7,756	-	8,078
Athletics	61,739	23,935	9,994	(64,271)	11,409
Ecology club	133	972	744	-	361
Button club	63	-	-	-	63
High school prom	1,505	5,565	5,442	(160)	1,468
Special events	125,725	78,697	66,280	-	138,142
Facilities planning committee	24,696	-	-	-	24,696
Drama	7,646	4,612	5,338	-	6,920
Speech contest	5,364	420	1,937	-	3,847
French club	1,447	2,489	637	160	3,459
National Honor Society	392	1,160	2,295	743	-
Danz team	2,711	4,273	6,018	-	966
SADD	1,646	560	50	-	2,156
Spanish club	-	-	753	753	-
Thespian club	680	441	706	-	415
Student council	2,044	8,826	6,816	-	4,054
TSA	1,332	3,097	4,464	35	-
Yearbook	7,994	16,659	19,520	-	5,133
High school hall of fame	2,600	-	-	-	2,600
Cheerleading	6,357	14,547	18,575	-	2,329
Academic decathlon	-	1,141	2,281	1,140	-
Mock trial	-	-	300	300	-
Middle school yearbook	2,621	1,509	-	-	4,130
6-7 student council	1,064	2,386	2,666	-	784
Total	307,448	350,349	401,181	-	256,616

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2014

	Sales Tax Shared with City of Adel <u> \$ </u>	Regional Tournaments <u> \$ </u>	Total <u> \$ </u>
Balance beginning of year	-	-	-
Additions:			
Collections	-	10,836	10,836
Deductions:			
Miscellaneous	<u>-</u>	<u>10,836</u>	<u>10,836</u>
Balance end of year	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

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

For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	7,097,886	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
Tuition	1,282,410	1,218,042	1,102,647	1,016,093	1,048,627	1,078,218	1,033,535	909,651	876,667	900,135
Other	729,757	665,614	705,855	569,000	559,022	663,659	667,672	604,678	681,128	641,454
Intermediate sources		-	-	-	5,975	561	1,447	15,265	-	-
State sources	9,649,853	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
Federal sources	301,918	335,172	370,549	865,861	1,072,551	387,486	210,555	196,662	636,774	184,708
Total revenues	19,061,824	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
Expenditures:										
Instruction:										
Regular	6,768,308	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
Special	2,406,788	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
Other	1,318,975	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
Support services:										
Student	434,648	364,950	373,737	411,461	398,045	329,819	298,198	344,458	303,146	307,132
Instructional staff	549,166	494,517	549,125	485,563	418,460	629,557	606,907	704,582	521,458	381,207
Administration	1,752,695	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
Operation and maintenance	1,311,314	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
Transportation	904,166	662,537	653,952	521,914	500,867	478,775	424,417	573,757	554,551	516,087
Non-instructional programs	-	-	-	-	282	2,934	-	-	-	-
Other expenditures:										
Facilities acquisition	682,785	560,796	160,028	299,087	218,170	347,350	405,032	2,223,773	9,437,295	4,194,736
Long-term debt:										
Principal	9,493,649	1,210,531	985,000	955,000	920,000	810,000	830,000	490,000	475,000	400,000
Interest and other charges	682,929	576,310	589,597	520,885	551,610	581,370	610,188	592,307	555,362	556,869
AEA flowthrough	554,467	521,232	499,852	542,779	522,020	484,444	466,146	441,043	409,437	389,902
Total expenditures	26,859,890	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

See accompanying independent auditor's report.

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Direct:			
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
Special Milk Program for Children	10.556	FY14	
School Breakfast Program	10.553	FY14	33,644
National School Lunch Program (non-cash)	10.555	FY14	48,257
National School Lunch Program	10.555	FY14	209,495
			<u>291,396</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster			
Title I Grants Carryover	84.013	FY14	1,793
Title I Grants to Local Educational Agencies	84.010	FY14	111,465
			<u>113,258</u>
Career and Technical Education - Basic Grants to States	84.048	FY14	9,518
Advanced Placement Program	84.330	FY14	66
Improving Teacher Quality State Grants	84.367	FY14	26,749
Grants for State Assessments and Related Activities	84.369	FY14	8,553
Special Education - Grants to States	84.027	FY14	65,567
University Northern Iowa:			
IA Reading Grant	84.396	FY14	1,165
Total			<u><u>516,272</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 in 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2015.

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 14-II-A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adel DeSoto Minburn Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2014 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

March 24, 2015

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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
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 its major federal programs for the year ended June 30, 2014. 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, 2014.

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 an opinion on the effectiveness of Adel DeSoto Minburn Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be 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-14 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.

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

March 24, 2015

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2014

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 unmodified 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 \$ 33,644
 - CFDA Number 10.555 . National School Lunch Program \$ 209,495
 - CFDA Number 10.555 . Food Donation Program \$ 48,257
- (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, 2014

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

14-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 segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

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, 2014

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, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

- 14-IV-A Certified Budget: Expenditures for the year ended June 30, 2014, the amended certified budget amounts were not exceeded.
- 14-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.
- 14-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.
- 14-IV-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 14-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.
- 14-IV-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 14-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 14-IV-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 14-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.
- 14-IV-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 14-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 14-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2014

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

Beginning balance	\$	\$ 754,311
Revenues:		
Statewide sales, services and use tax revenue		1,384,810
Other		34,035
Expenditures:		
Other		<u>(376,892)</u>
Ending balance		<u>1,796,264</u>