

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Adair-Casey Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Robert Kreimeyer	President	2009
Tim James	Vice President	2008
Nita Fagan	Board Member	2008
Jim Zimmerline	Board Member	2010
C. Richard Richter	Board Member	2010
Board of Education (After September 2008 Election)		
Nita Fagan	President	2011
Tim James	Vice President	2011
Robert Kreimeyer	Board Member	2009
Jim Zimmerline	Board Member	2009*
C. Richard Richter	Board Member	2009*
School Officials		
Steve Smith	Superintendent	2009
Theresa Elgin	District Secretary/ Treasurer	2009
Rick Engel	Attorney	2009

* Board term shortened per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Adair-Casey Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Adair-Casey Community School District, Adair, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Adair-Casey Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

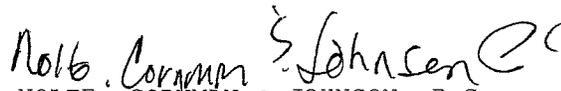
In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2010 on our consideration of Adair-Casey Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adair-Casey Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 3, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adair-Casey 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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,410,238 in fiscal 2008 to \$3,492,097 in fiscal 2009, while General Fund expenditures increased from \$3,208,643 in fiscal 2008 to \$3,394,276 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$731,726 in fiscal 2008 to a balance of \$829,547 in fiscal 2009, a 13.37% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state sources in fiscal 2009. The increase in expenditures was due primarily to an increase in regular instruction function.

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 Assets and a Statement of Activities. These provide information about the activities of Adair-Casey 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 Adair-Casey Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Adair-Casey Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the 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.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

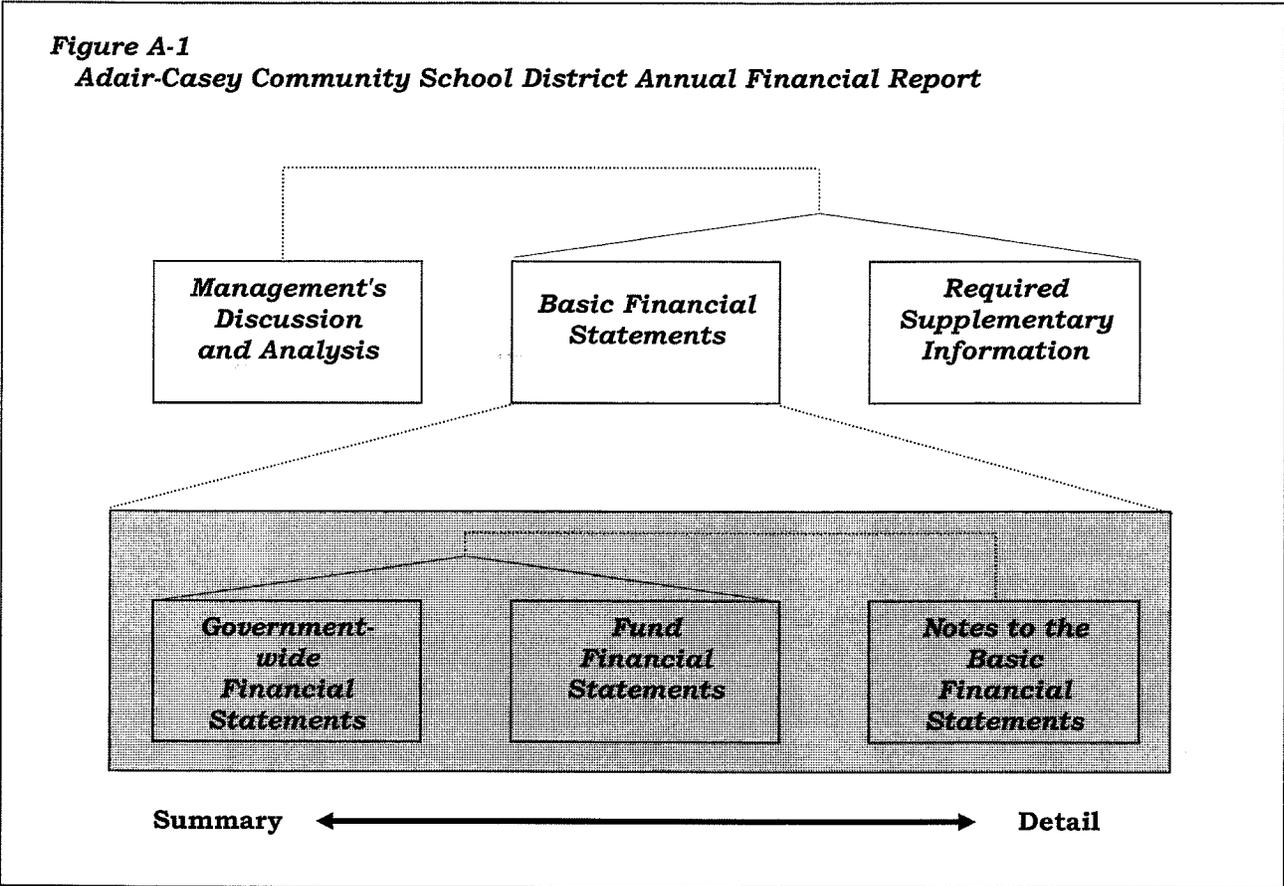


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental 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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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 Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. 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 is 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:

- 1) *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.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *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 one Enterprise Fund, the School Nutrition Fund. The District's Internal Service Fund, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one Internal Service Fund, which accounts for the District's medical reimbursement plan.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring 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 includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 3,553,652	3,054,710	29,231	29,641	3,582,883	3,084,351	16.16%
Capital assets	1,419,321	1,221,434	31,816	35,584	1,451,137	1,257,018	15.44%
Total assets	<u>4,972,973</u>	<u>4,276,144</u>	<u>61,047</u>	<u>65,225</u>	<u>5,034,020</u>	<u>4,341,369</u>	<u>15.95%</u>
Long-term obligations	182,037	320,422	0	0	182,037	320,422	-43.19%
Other liabilities	2,186,635	1,621,002	9,864	11,385	2,196,499	1,632,387	34.56%
Total liabilities	<u>2,368,672</u>	<u>1,941,424</u>	<u>9,864</u>	<u>11,385</u>	<u>2,378,536</u>	<u>1,952,809</u>	<u>21.80%</u>
Net assets:							
Invested in capital assets, net of related debt	1,262,251	918,466	31,816	35,584	1,294,067	954,050	35.64%
Restricted	563,248	630,599	0	0	563,248	630,599	-10.68%
Unrestricted	778,802	785,655	19,367	18,256	798,169	803,911	-0.71%
Total net assets	<u>\$ 2,604,301</u>	<u>2,334,720</u>	<u>51,183</u>	<u>53,840</u>	<u>2,655,484</u>	<u>2,388,560</u>	<u>11.18%</u>

The District's combined net assets increased by 11.18%, or \$266,924 over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$67,351, or 10.68% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$5,742, or 0.71%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to June 30, 2008.

	Governmental Activities		Business Type Activities		Total District		Total Change 2008-09
	2009	2008	2009	2008	2009	2008	
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 301,524	304,710	106,573	99,662	408,097	404,372	0.92%
Operating grants and contributions and restricted interest	551,019	574,923	73,084	73,835	624,103	648,758	-3.80%
General revenues:							
Local tax	1,443,345	1,415,446	0	0	1,443,345	1,415,446	1.97%
Statewide sales and services tax	210,449	205,904	0	0	210,449	205,904	2.21%
Unrestricted state grants	1,485,496	1,373,409	0	0	1,485,496	1,373,409	8.16%
Other	117,833	106,628	518	406	118,351	107,034	10.57%
Transfers	(500)	(4,788)	0	4,788	(500)	0	-100.00%
Total revenues & transfers	<u>4,109,166</u>	<u>3,976,232</u>	<u>180,175</u>	<u>178,691</u>	<u>4,289,341</u>	<u>4,154,923</u>	<u>3.24%</u>
Program expenses:							
Governmental activities:							
Instruction	2,372,413	2,242,927	0	0	2,372,413	2,242,927	5.77%
Support services	1,137,758	1,065,351	2,746	5,525	1,140,504	1,070,876	6.50%
Non-instructional programs	0	0	180,086	179,019	180,086	179,019	0.60%
Other expenses	329,414	251,692	0	0	329,414	251,692	30.88%
Total expenses	<u>3,839,585</u>	<u>3,559,970</u>	<u>182,832</u>	<u>184,544</u>	<u>4,022,417</u>	<u>3,744,514</u>	<u>7.42%</u>
Change in net assets	269,581	416,262	(2,657)	(5,853)	266,924	410,409	-34.96%
Beginning net assets	<u>2,334,720</u>	<u>1,918,458</u>	<u>53,840</u>	<u>59,693</u>	<u>2,388,560</u>	<u>1,978,151</u>	<u>20.75%</u>
Ending net assets	<u>\$ 2,604,301</u>	<u>2,334,720</u>	<u>51,183</u>	<u>53,840</u>	<u>2,655,484</u>	<u>2,388,560</u>	<u>11.18%</u>

In fiscal 2009, local tax, statewide sales and services tax and unrestricted state grants account for 76.06% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.71% of the revenue from business type activities.

The District's total revenues were \$4,289,341 of which \$4,109,166 was for governmental activities and \$180,175 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.24% increase in revenues and a 7.42% increase in expenses. Unrestricted state grants increased by \$112,087 to help fund the expenditures. The increases in expenses were related to increases in instructional expenses.

Governmental Activities

Revenues for governmental activities were \$4,109,166 and expenses were \$3,839,585.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 2,372,413	2,242,927	5.77%	1,652,509	1,481,493	11.54%
Support services	1,137,758	1,065,351	6.80%	1,133,368	1,065,351	6.38%
Other expenses	329,414	251,692	30.88%	201,165	133,493	50.69%
Totals	<u>\$ 3,839,585</u>	<u>3,559,970</u>	<u>7.85%</u>	<u>2,987,042</u>	<u>2,680,337</u>	<u>11.44%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$301,524.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$551,019.
- The net cost of governmental activities was financed with \$1,443,345 in local tax, \$210,449 in statewide sales and services tax, \$1,485,496 in unrestricted state grants, \$27,834 in interest income and \$89,999 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$180,175 and expenses were \$182,832. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Adair-Casey Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,251,747, below last year's ending fund balance of \$1,346,284. The decrease in combined fund balance in fiscal 2009 is attributable in part to increased expenditures from the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund balance increased from \$731,726 on June 30, 2008 to \$829,547 on June 30, 2009. The fluctuation in the District's General Fund financial position is the product of many factors. An increase in state revenue during the year resulted in an increase in total revenues. The increase in expenditures was due to the increase in instruction expenditures. Revenues exceeded expenditures ensuring the increase in the District's financial position.
- The Management fund balance decreased from \$120,417 in 2008 to \$84,662 in 2009. This resulted from an increase in expenditures.
- The Capital Projects fund balance decreased from \$383,235 in 2008 to \$212,754 in 2009. This resulted from an increase in expenditures during the year.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$53,840 at June 30, 2008 to \$51,183 at June 30, 2009, representing a decrease of 4.93%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Adair-Casey Community School District amended its budget one time to reflect additional expenditures in the other expenditures functional areas.

The District's revenues were \$78,528 less than budgeted revenues, a variance of 1.81%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The district then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$1,451,137, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 15.44% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$169,436.

The original cost of the District's capital assets was \$4,974,377. Governmental funds account for \$4,879,630 with the remainder of \$94,747 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the Land improvements category. The District's land improvements totaled \$1,112,945 at June 30, 2009, compared to \$859,661 reported at June 30, 2008.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 3,714	3,714	0	0	3,714	3,714	0.00%
Buildings	176,468	212,899	0	0	176,468	212,899	-17.11%
Land improvements	1,112,945	859,661	0	0	1,112,945	859,661	29.46%
Machinery and equipment	126,194	145,160	31,816	35,584	158,010	180,744	-12.58%
Total	\$ 1,419,321	1,221,434	31,816	35,584	1,451,137	1,257,018	15.44%

Long-Term Debt

At June 30, 2009, the District had \$182,037 in long-term debt outstanding. This represents a decrease of 43.19% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding energy capital loan notes payable of \$157,070 at June 30, 2009.

The District had early retirement payable of \$24,967 at June 30, 2009.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total District		Total Change
	June 30,	June 30,	June 30,
	2009	2008	2008-09
Capital loan note	\$ 0	37,500	-100.00%
Energy capital loan notes	157,070	265,468	-40.83%
Early Retirement	24,967	17,454	43.04%
Totals	\$ 182,037	320,422	-43.19%

ECONOMIC 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 District is expected to remain in good financial health far into the future. Budgeting practices such as making sure expenditures do not exceed revenues, even during challenging years like FY 09, combined with a solid foundation of cash balance and unspent balance, allow the District to provide the resources needed for excellent student achievement while still keeping the tax burden reasonable. However, costs outside the Board's control such as continual increases in health insurance and utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability.
- With the September 25, 2009 ten percent across-the-board reduction, the District will continue to implement cost-saving measures and develop a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost-saving measures we will implement and how much we can spend from our reserves.

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 Theresa Elgin, Board Secretary, Adair-Casey Community School District, 3384 Indigo Avenue, Adair, Iowa, 50002.

BASIC FINANCIAL STATEMENTS

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,929,057	26,019	1,955,076
Receivables:			
Property tax:			
Delinquent	22,964	0	22,964
Succeeding year	1,395,967	0	1,395,967
Income surtax	116,958	0	116,958
Accounts	948	0	948
Due from other governments	87,758	0	87,758
Inventories	0	3,212	3,212
Capital assets, net of accumulated depreciation	1,419,321	31,816	1,451,137
Total assets	4,972,973	61,047	5,034,020
Liabilities			
Accounts payable	445,239	0	445,239
Salaries and benefits payable	295,815	8,148	303,963
Interest payable	1,688	0	1,688
Deferred revenue:			
Succeeding year property tax	1,395,967	0	1,395,967
Other	47,926	0	47,926
Unearned revenue	0	1,716	1,716
Long-term liabilities:			
Portion due within one year:			
Capital loan notes payable	112,070	0	112,070
Early retirement payable	23,192	0	23,192
Portion due after one year:			
Capital loan notes payable	45,000	0	45,000
Early retirement payable	1,775	0	1,775
Total liabilities	2,368,672	9,864	2,378,536
Net Assets			
Invested in capital assets, net of related debt	1,262,251	31,816	1,294,067
Restricted for:			
Categorical funding	107,536	0	107,536
Capital projects	212,754	0	212,754
Physical plant and equipment levy	119,112	0	119,112
Management levy	59,695	0	59,695
Other special revenue purposes	64,151	0	64,151
Unrestricted	778,802	19,367	798,169
Total net assets	\$ 2,604,301	51,183	2,655,484

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,452,690	121,228	402,290	(929,172)	0	(929,172)
Special	434,428	16,134	20,480	(397,814)	0	(397,814)
Other	485,295	159,772	0	(325,523)	0	(325,523)
	<u>2,372,413</u>	<u>297,134</u>	<u>422,770</u>	<u>(1,652,509)</u>	<u>0</u>	<u>(1,652,509)</u>
Support services:						
Student	13,891	0	0	(13,891)	0	(13,891)
Instructional staff	161,072	0	0	(161,072)	0	(161,072)
Administration	354,886	0	0	(354,886)	0	(354,886)
Operation and maintenance of plant	370,216	0	0	(370,216)	0	(370,216)
Transportation	237,693	4,390	0	(233,303)	0	(233,303)
	<u>1,137,758</u>	<u>4,390</u>	<u>0</u>	<u>(1,133,368)</u>	<u>0</u>	<u>(1,133,368)</u>
Other expenditures:						
Facilities acquisitions	70,189	0	0	(70,189)	0	(70,189)
Long-term debt interest	12,367	0	0	(12,367)	0	(12,367)
AEA flowthrough	128,249	0	128,249	0	0	0
Depreciation(unallocated)*	118,609	0	0	(118,609)	0	(118,609)
	<u>329,414</u>	<u>0</u>	<u>128,249</u>	<u>(201,165)</u>	<u>0</u>	<u>(201,165)</u>
Total governmental activities	3,839,585	301,524	551,019	(2,987,042)	0	(2,987,042)
Business Type activities:						
Support services:						
Administration services	274	0	0	0	(274)	(274)
Operation and maintenance of plant services	2,472	0	0	0	(2,472)	(2,472)
	<u>2,746</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,746)</u>	<u>(2,746)</u>
Non-instructional programs:						
Food service operations	180,086	106,573	73,084	0	(429)	(429)
Total business type activities	<u>182,832</u>	<u>106,573</u>	<u>73,084</u>	<u>0</u>	<u>(3,175)</u>	<u>(3,175)</u>
Total	\$ 4,022,417	408,097	624,103	(2,987,042)	(3,175)	(2,990,217)
General Revenues and Transfers:						
General revenues:						
Local tax for:						
General purposes			\$ 1,244,855	0	1,244,855	
Capital outlay			198,490	0	198,490	
Statewide sales and services tax			210,449	0	210,449	
Unrestricted state grants			1,485,496	0	1,485,496	
Unrestricted investment earnings			27,834	518	28,352	
Other general revenues			89,999	0	89,999	
Transfers			(500)	0	(500)	
Total general revenues and transfers			<u>3,256,623</u>	<u>518</u>	<u>3,257,141</u>	
Change in net assets			269,581	(2,657)	266,924	
Net assets beginning of year			<u>2,334,720</u>	<u>53,840</u>	<u>2,388,560</u>	
Net assets end of year			\$ <u>2,604,301</u>	<u>51,183</u>	<u>2,655,484</u>	

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,228,094	483,025	217,062	1,928,181
Receivables:				
Property tax:				
Delinquent	21,030	0	1,934	22,964
Succeeding year	1,210,203	0	185,764	1,395,967
Income surtax	58,479	0	58,479	116,958
Accounts	780	0	168	948
Due from other governments	45,130	42,628	0	87,758
Total assets	\$ 2,563,716	525,653	463,407	3,552,776
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 121,746	312,899	9,718	444,363
Salaries and benefits payable	295,815	0	0	295,815
Deferred revenue:				
Succeeding year property tax	1,210,203	0	185,764	1,395,967
Income surtax	58,479	0	58,479	116,958
Other	47,926	0	0	47,926
Total liabilities	1,734,169	312,899	253,961	2,301,029
Fund balances:				
Reserved for:				
Categorical funding	107,536	0	0	107,536
Unreserved	722,011	212,754	209,446	1,144,211
Total fund balances	829,547	212,754	209,446	1,251,747
Total liabilities and fund balances	\$ 2,563,716	525,653	463,407	3,552,776

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 15)	\$ 1,251,747
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,419,321
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	116,958
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.	(1,688)
Long-term liabilities, including capital loan notes payable and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(182,037)</u>
Net assets of governmental activities (page 13)	<u><u>\$ 2,604,301</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,246,494	210,449	169,981	1,626,924
Tuition	131,410	0	0	131,410
Other	77,453	6,303	203,966	287,722
Intermediate sources	118	0	0	118
State sources	1,903,687	0	0	1,903,687
Federal sources	132,710	0	0	132,710
Total revenues	<u>3,491,872</u>	<u>216,752</u>	<u>373,947</u>	<u>4,082,571</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,427,081	0	18,096	1,445,177
Special	434,428	0	0	434,428
Other	316,897	0	185,652	502,549
	<u>2,176,406</u>	<u>0</u>	<u>203,748</u>	<u>2,382,154</u>
Support services:				
Student	13,716	0	175	13,891
Instructional staff	158,407	0	2,665	161,072
Administration	350,401	0	4,485	354,886
Operation and maintenance of plant	326,392	0	47,783	374,175
Transportation	187,430	0	10,084	197,514
	<u>1,036,346</u>	<u>0</u>	<u>65,192</u>	<u>1,101,538</u>
Other expenditures:				
Facilities acquisitions	0	387,233	18,418	405,651
Long-term debt:				
Principal	0	0	145,898	145,898
Interest and fiscal charges	0	0	13,343	13,343
AEA flowthrough	128,249	0	0	128,249
	<u>128,249</u>	<u>387,233</u>	<u>177,659</u>	<u>693,141</u>
Total expenditures	<u>3,343,001</u>	<u>387,233</u>	<u>446,599</u>	<u>4,176,833</u>
Excess(deficiency) of revenues over(under) expenditures	148,871	(170,481)	(72,652)	(94,262)
Other financing sources(uses):				
Transfers in	0	0	166,241	166,241
Transfers out	(51,275)	0	(115,466)	(166,741)
Proceeds from sale of equipment	225	0	0	225
Total other financing sources(uses)	<u>(51,050)</u>	<u>0</u>	<u>50,775</u>	<u>(275)</u>
Net change in fund balances	97,821	(170,481)	(21,877)	(94,537)
Fund balance beginning of year	731,726	383,235	231,323	1,346,284
Fund balance end of year	<u>\$ 829,547</u>	<u>212,754</u>	<u>209,446</u>	<u>1,251,747</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ (94,537)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 362,977	
Depreciation expense	<u>(165,090)</u>	197,887

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 145,898

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. 976

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 26,870

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.

Early retirement		<u>(7,513)</u>
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Changes in net assets of governmental activities (page 14) \$ 269,581

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Assets		
Cash and pooled investments	\$ 26,019	876
Inventories	3,212	0
Capital assets, net of accumulated depreciation	31,816	0
Total assets	61,047	876
Liabilities		
Accounts payable	0	876
Salaries and benefits payable	8,148	0
Unearned revenue	1,716	0
Total liabilities	9,864	876
Net Assets		
Invested in capital assets	31,816	0
Unrestricted	19,367	0
Total net assets	\$ 51,183	0

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 102,118	14,488
Miscellaneous	4,455	0
Total operating revenues	<u>106,573</u>	<u>14,488</u>
Operating expenses:		
Support services:		
Administration	274	14,488
Operation and maintenance of plant	2,472	0
	<u>2,746</u>	<u>14,488</u>
Non-instructional programs:		
Food service operations:		
Salaries	64,521	0
Benefits	14,820	0
Supplies	96,301	0
Depreciation	4,346	0
Other	98	0
	<u>180,086</u>	<u>0</u>
Total operating expenses	<u>182,832</u>	<u>14,488</u>
Operating loss	<u>(76,259)</u>	<u>0</u>
Non-operating revenues:		
State sources	2,006	0
Federal sources	71,078	0
Interest income	518	0
Total non-operating revenues	<u>73,602</u>	<u>0</u>
Change in net assets	(2,657)	0
Net assets beginning of year	<u>53,840</u>	<u>0</u>
Net assets end of year	<u>\$ 51,183</u>	<u>0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	Business Type	
	Enterprise Fund	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 102,361	0
Cash received from miscellaneous	4,455	14,488
Cash payments to employees for services	(79,445)	0
Cash payments to suppliers for goods or services	(92,262)	(14,080)
Net cash provided by(used in) operating activities	<u>(64,891)</u>	<u>408</u>
Cash flows from non-capital financing activities:		
State grants received	2,006	0
Federal grants received	62,770	0
Net cash provided by non-capital financing activities	<u>64,776</u>	<u>0</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(578)	0
Cash flows from investing activities:		
Interest on investments	518	0
Net increase(decrease) in cash and cash equivalents	(175)	408
Cash and cash equivalents at beginning of year	26,194	468
Cash and cash equivalents at end of year	<u>\$ 26,019</u>	<u>876</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (76,259)	0
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	8,308	0
Depreciation	4,346	0
Decrease in inventories	71	0
Decrease in accounts receivable	164	0
Increase(Decrease) in accounts payable	(1,496)	408
Decrease in salaries and benefits payable	(104)	0
Increase in unearned revenue	79	0
Net cash used in operating activities	<u>\$ (64,891)</u>	<u>408</u>

During the year ended June 30, 2009, the District received Federal commodities valued at \$8,308.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 184,822
Liabilities	<u>0</u>
Net Assets	
Reserved for scholarships	<u>\$ 184,822</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 6,626
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	7,500
Deficiency of revenues under expenditures	(874)
Other financing sources(uses):	
Transfers in	7,500
Transfers out	(7,000)
Total other financing sources(uses)	500
Change in net assets	(374)
Net assets beginning of year	185,196
Net assets end of year	\$ 184,822

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(1) **Summary of Significant Accounting Policies**

The Adair-Casey Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the cities of Adair and Casey, Iowa, and the predominate agricultural territory in Adair, Guthrie and Audubon 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, Adair-Casey 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 Adair-Casey 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 do 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 Adair, Guthrie and Audubon Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary 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 support.

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that are 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 other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are 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 expenses, 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.

The District reports the following proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's medical reimbursement plan. The Internal Service Fund is charged back to the Governmental Funds and

shown combined in the Statement of Net Assets and the Statement of Activities.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is The Private Purpose Trust Fund.

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.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these

pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are 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 that 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 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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, machinery and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs 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.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	5-20 years
Machinery and equipment	3-15 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized

since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 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 and the Treasurer of the State of Iowa; 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.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months or receipt) in instruments that mature within 397 days. Funds not identified as

operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

(3) Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 51,075
Debt Service	Special Revenue, Physical plant and Equipment Levy	108,166
Private Purpose Trust	General	200
Private Purpose Trust	Special Revenue: Activity	7,300
Special Revenue: Activity	Private Purpose Trust	7,000
Total		<u>\$ 173,741</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,714	0	0	3,714
Total capital assets not being depreciated	<u>3,714</u>	<u>0</u>	<u>0</u>	<u>3,714</u>
Capital assets being depreciated:				
Buildings	1,472,664	0	0	1,472,664
Land improvements	2,422,876	335,462	0	2,758,338
Machinery and equipment	617,399	27,515	0	644,914
Total capital assets being depreciated	<u>4,512,939</u>	<u>362,977</u>	<u>0</u>	<u>4,875,916</u>
Less accumulated depreciation for:				
Buildings	1,259,765	36,431	0	1,296,196
Land improvements	1,563,215	82,178	0	1,645,393
Machinery and equipment	472,239	46,481	0	518,720
Total accumulated depreciation	<u>3,295,219</u>	<u>165,090</u>	<u>0</u>	<u>3,460,309</u>
Total capital assets being depreciated, net	<u>1,217,720</u>	<u>197,887</u>	<u>0</u>	<u>1,415,607</u>
Governmental activities capital assets, net	<u>\$ 1,221,434</u>	<u>197,887</u>	<u>0</u>	<u>1,419,321</u>
Business type activities:				
Machinery and equipment	\$ 94,169	578	0	94,747
Less accumulated depreciation	58,585	4,346	0	62,931
Business type activities capital assets, net	<u>\$ 35,584</u>	<u>(3,768)</u>	<u>0</u>	<u>31,816</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Other	\$ 4,314
Support services:	
Operation and maintenance of plant	1,988
Transportation	40,179
	<u>46,481</u>
Unallocated depreciation	<u>118,609</u>
 Total governmental activities depreciation expense	 <u>\$ 165,090</u>
 Business type activities:	
Food services	<u>\$ 4,346</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital loan note	\$ 37,500	0	37,500	0	0
Energy Capital loan notes	265,468	0	108,398	157,070	112,070
Early retirement	17,454	24,967	17,454	24,967	23,192
	<hr/>				
Total	\$ 320,422	24,967	163,352	182,037	135,262

Energy Capital Loan Notes Payable

The District issued \$525,000 of energy capital loan notes during the year ended June 30, 2000. Details of the District's June 30, 2009 energy capital loan note indebtedness which is paid from the Special Revenue, Physical Plant and Equipment Levy Fund is as follows:

Year Ending June 30,	Interest Rates	Energy Capital Loan Note		
		Principal	Interest	Total
2010	5.71 %	\$ 67,070	2,886	69,956

The District issued \$450,000 of energy capital loan notes during the year ended June 30, 2002. Details of the District's June 30, 2008 energy capital loan note indebtedness which is paid from the General Fund.

Year Ending June 30,	Interest Rates	Energy Capital Loan Note		
		Principal	Interest	Total
2010	4.50 %	\$ 45,000	4,050	49,050
2011	4.50	45,000	2,025	47,025
	<hr/>			
Total		\$ 90,000	6,075	96,075

(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 which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$125,424, \$113,424, and \$101,598 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No.45.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2009 were \$274,647.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

Adair-Casey 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 \$128,249 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) **Categorical Funding**

The District's ending balances for categorical funding by project as of June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Gifted and talented programs	\$ 24,349
Home school assistance program	1,757
Salary improvement program	276
Limited english proficient	1,936
Returning dropouts and dropout prevention	41,268
Professional development	18,455
Ambassador to education	8,239
Early intervention	11,256
Total	<u>\$ 107,536</u>

REQUIRED SUPPLEMENTARY INFORMATION

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,046,056	107,091	2,153,147	2,124,015	2,124,015	29,132
Intermediate sources	118	0	118	1,500	1,500	(1,382)
State sources	1,903,687	2,006	1,905,693	1,990,759	1,990,759	(85,066)
Federal sources	132,710	71,078	203,788	225,000	225,000	(21,212)
Total revenues	<u>4,082,571</u>	<u>180,175</u>	<u>4,262,746</u>	<u>4,341,274</u>	<u>4,341,274</u>	<u>(78,528)</u>
Expenditures/Expenses:						
Instruction	2,382,154	0	2,382,154	2,429,054	2,429,054	46,900
Support services	1,101,538	2,746	1,104,284	1,508,869	1,508,869	404,585
Non-instructional programs	0	180,086	180,086	240,194	240,194	60,108
Other expenditures	693,141	0	693,141	464,446	764,446	71,305
Total expenditures/expenses	<u>4,176,833</u>	<u>182,832</u>	<u>4,359,665</u>	<u>4,642,563</u>	<u>4,942,563</u>	<u>582,898</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(94,262)	(2,657)	(96,919)	(301,289)	(601,289)	504,370
Other financing sources, net	(275)	0	(275)	7,000	7,000	(7,275)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(94,537)	(2,657)	(97,194)	(294,289)	(594,289)	497,095
Balance beginning of year	1,346,284	53,840	1,400,124	1,113,625	1,113,625	286,499
Balance end of year	<u>\$ 1,251,747</u>	<u>51,183</u>	<u>1,302,930</u>	<u>819,336</u>	<u>519,336</u>	<u>783,594</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 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 functional level, not by fund. The Code of Iowa also provides that 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 \$300,000.

OTHER SUPPLEMENTARY INFORMATION

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
Assets				
Cash and pooled investments	\$ 84,132	68,681	64,249	217,062
Receivables:				
Property tax:				
Current year delinquent	530	0	1,404	1,934
Succeeding year	60,000	0	125,764	185,764
Income surtax	0	0	58,479	58,479
Accounts	0	168	0	168
Total assets	\$ 144,662	68,849	249,896	463,407
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 0	4,698	5,020	9,718
Deferred revenue:				
Succeeding year property tax	60,000	0	125,764	185,764
Income surtax	0	0	58,479	58,479
Total liabilities	60,000	4,698	189,263	253,961
Unreserved fund balances	84,662	64,151	60,633	209,446
Total liabilities and fund balances	\$ 144,662	68,849	249,896	463,407

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Nonmajor Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Revenues:						
Local sources:						
Local tax:	\$ 29,970	0	140,011	169,981	0	169,981
Other	8,095	194,811	1,060	203,966	0	203,966
Total revenues	38,065	194,811	141,071	373,947	0	373,947
Expenditures:						
Current:						
Instruction:						
Regular	18,096	0	0	18,096	0	18,096
Other	0	185,652	0	185,652	0	185,652
Support services:						
Student	0	175	0	175	0	175
Instructional staff	0	0	2,665	2,665	0	2,665
Administration	4,052	270	163	4,485	0	4,485
Operation and maintenance of plant	41,588	2,862	3,333	47,783	0	47,783
Transportation	10,084	0	0	10,084	0	10,084
Other expenditures:						
Facilities acquisitions	0	0	18,418	18,418	0	18,418
Long-term debt:						
Principal	0	0	0	0	145,898	145,898
Interest and fiscal charges	0	0	0	0	13,343	13,343
Total expenditures	73,820	188,959	24,579	287,358	159,241	446,599
Excess(deficiency) of revenues over(under) expenditures	(35,755)	5,852	116,492	86,589	(159,241)	(72,652)
Other financing sources(uses):						
Transfer in	0	7,000	0	7,000	159,241	166,241
Transfer out	0	(7,300)	(108,166)	(115,466)	0	(115,466)
Total other financing sources(uses)	0	(300)	(108,166)	(108,466)	159,241	50,775
Net change in fund balances	(35,755)	5,552	8,326	(21,877)	0	(21,877)
Fund balance beginning of year	120,417	58,599	52,307	231,323	0	231,323
Fund balance end of year	\$ 84,662	64,151	60,633	209,446	0	209,446

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Annual	\$ 119	3,349	3,300	168
After Prom	1,675	13,723	14,028	1,370
Athletics	31,503	85,013	74,811	41,705
Band	775	1,448	1,902	321
Cheerleading Basketball	229	0	0	229
Cheerleading Football	615	2,858	2,423	1,050
Class of 2008	271	0	271	0
Class of 2009	3,035	27,218	29,779	474
Class of 2010	1	11,376	9,756	1,621
Class of 2011	0	216	47	169
Drama/SP	2,264	2,122	2,201	2,185
Drill Team	1,905	1,051	1,908	1,048
FFA	10,249	33,076	32,832	10,493
FFA-Video	732	6,373	6,155	950
Music Boosters	2,753	2,576	3,898	1,431
National Honor Society	1,289	499	1,295	493
Student Council	0	2,196	2,116	80
Vocal	1,184	504	1,324	364
DPT	0	7,000	7,000	0
Interest	0	1,213	1,213	0
Total	\$ 58,599	201,811	196,259	64,151

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 1,626,924	1,621,350	1,535,024	1,434,982	1,364,342	1,351,824
Tuition	131,410	142,179	111,963	101,970	98,993	93,516
Other	287,722	268,126	244,358	224,042	213,518	242,979
Intermediate sources	118	483	3,868	980	156	137
State sources	1,903,687	1,785,743	1,547,929	1,419,573	1,427,746	1,357,496
Federal sources	132,710	162,589	174,598	138,220	141,726	112,424
Total	<u>\$ 4,082,571</u>	<u>3,980,470</u>	<u>3,617,740</u>	<u>3,319,767</u>	<u>3,246,481</u>	<u>3,158,376</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 1,445,177	1,383,917	1,215,190	1,143,577	1,177,728	1,201,522
Special	434,428	408,137	358,292	305,131	303,304	320,905
Other	502,549	489,381	438,391	426,870	403,458	328,684
Support services:						
Student	13,891	13,779	11,325	10,150	32,459	53,200
Instructional staff	161,072	154,117	175,322	110,732	86,793	74,319
Administration	354,886	318,809	322,818	412,406	374,093	371,583
Operation and maintenance of plant	374,175	343,068	309,887	277,026	316,897	292,847
Transportation	197,514	218,891	317,121	161,655	186,545	274,015
Other expenditures:						
Facilities acquisitions	405,651	12,140	37,740	30,594	8,881	36,516
Long-term debt:						
Principal	145,898	140,928	136,147	173,362	167,295	123,344
Interest	13,343	20,487	27,291	35,561	43,524	46,291
AEA flow-through	128,249	118,199	104,983	101,252	101,744	102,656
Total	<u>\$ 4,176,833</u>	<u>3,621,853</u>	<u>3,454,507</u>	<u>3,188,316</u>	<u>3,202,721</u>	<u>3,225,882</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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 the
Adair-Casey Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Adair-Casey Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 3, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adair-Casey Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Adair-Casey Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Adair-Casey Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Adair-Casey Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Adair-Casey Community School District's financial statements that is more than inconsequential will not be prevented or detected by Adair-Casey Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Adair-Casey Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adair-Casey Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Adair-Casey Community School District and other parties to whom Adair-Casey Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Adair-Casey 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.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

March 3, 2010

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arise.

Conclusion - Response accepted.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting

- II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, did not exceed the amount budgeted.
- II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-09 Travel Expense - 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.
- II-D-09 Business Transactions - Business transactions between the District and District Officials or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Nita Fagan, Board President Co-owner of Sunds Custom Fencing	Purchased Services	\$2,019
Jim Zimmerline, Board Member Owner of Jim's Lawn Care	Lawn Care Services	\$19,207

According to Chapter 279.A of the Code of Iowa, the transactions with Nita Fagan do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the code of Iowa, the above transactions with Jim Zimmerline do not appear to represent a conflict of interest since the amount was competitively bid.

- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-09 Categorical Funding - We noted no instances of categorical funding being used to supplant rather than supplement other funds.

II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	0
Statewide sales and services tax revenue		210,449
Expenditures:		
School infrastructure:		
Land improvements		210,449
Ending balance	\$	<u>0</u>