

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Net Assets	J	27
Statement of Changes in Net Assets	K	28
Notes to Basic Financial Statements		29-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenue, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Discrete Component Unit Financial Statements:		
Statement of Assets, Liabilities, and Net Assets - Cash Basis - Component Unit		45
Statement of Revenues and Expenses and Changes in Net Assets - Cash Basis - Component Unit		46
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	49
Nonmajor Governmental Funds:		
Combining Balance Sheet	3	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	51
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	52
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	53
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 <u>Government Auditing Standards</u>		54-55
Schedule of Findings		56-58

Adair-Casey Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Megan Kading	President	2013
Tim James	Vice President	2011
Nita Fagan	Board Member	2011
Jim Zimmerline	Board Member	2013
C. Richard Richter	Board Member	2013
School Officials		
Steve Smith	Superintendent	2011
Theresa Elgin	District Secretary/ Treasurer	2011
Rick Engel	Attorney	2011

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

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, 2011, 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, 2011, 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 21, 2012 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan, and the combining statements for the discretely presented

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component unit on pages 7 through 15 and 42 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 six years ended June 30, 2010 (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 6, 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.

Handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson PC". The signature is stylized and cursive.

NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2012

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

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,299,446 in fiscal 2010 to \$3,748,338 in fiscal 2011, while General Fund expenditures decreased from \$3,565,487 in fiscal 2010 to \$3,507,388 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$563,506 in fiscal 2010 to a balance of \$804,456 in fiscal 2011, a 42.76% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state sources in fiscal 2011. The decrease in expenditures was due primarily to a decrease in the 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.

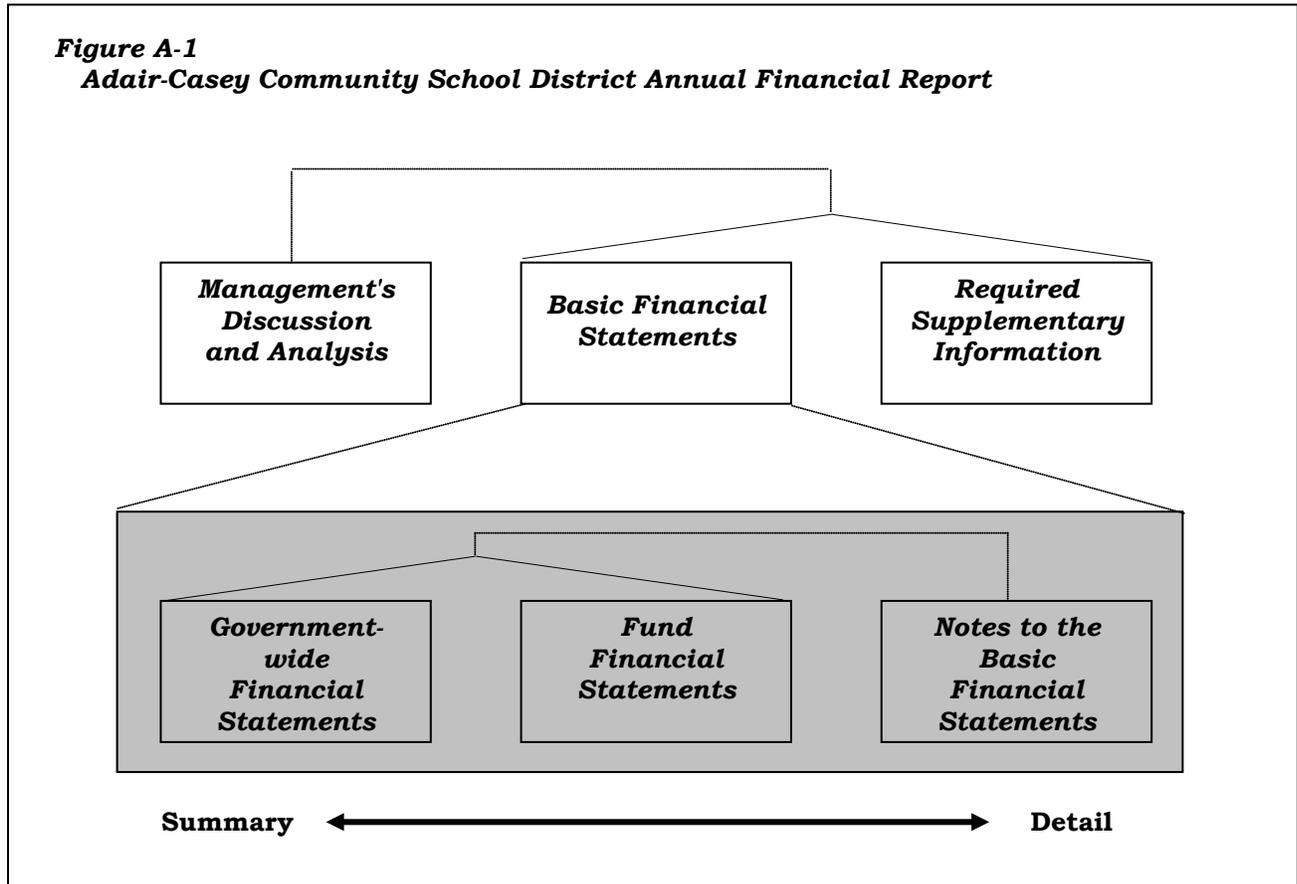


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 2011 compared to June 30, 2010.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 4,065,113	3,279,478	32,070	34,984	4,097,183	3,314,462	23.62%
Capital assets	1,400,034	1,297,467	25,115	27,470	1,425,149	1,324,937	7.56%
Total assets	<u>5,465,147</u>	<u>4,576,945</u>	<u>57,185</u>	<u>62,454</u>	<u>5,522,332</u>	<u>4,639,399</u>	<u>19.03%</u>
Long-term obligations	55,200	95,174	678	308	55,878	95,482	-41.48%
Other liabilities	2,317,114	1,942,687	10,785	10,127	2,327,899	1,952,814	19.21%
Total liabilities	<u>2,372,314</u>	<u>2,037,861</u>	<u>11,463</u>	<u>10,435</u>	<u>2,383,777</u>	<u>2,048,296</u>	<u>16.38%</u>
Net assets:							
Invested in capital assets, net of related debt	1,400,034	1,252,467	25,115	27,470	1,425,149	1,279,937	11.35%
Restricted	1,299,455	703,928	0	0	1,299,455	703,928	84.60%
Unrestricted	393,344	582,689	20,607	24,549	413,951	607,238	-31.83%
Total net assets	<u>\$ 3,092,833</u>	<u>2,539,084</u>	<u>45,722</u>	<u>52,019</u>	<u>3,138,555</u>	<u>2,591,103</u>	<u>21.13%</u>

The District's combined net assets increased by 21.13%, or \$547,452 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 increased \$595,527, or 84.60% over the prior year. The increase was primarily due to the increases in fund balance in the Student Activity Fund, Capital Projects: Statewide Sales, Services, and Use Tax Fund, and Capital Projects Physical, Plant and Equipment Fund.

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 \$193,287, or 31.83%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 251,419	228,647	100,397	99,253	351,816	327,900	7.29%
Operating grants and contributions and restricted interest	498,299	757,332	85,425	85,258	583,724	842,590	-30.72%
Capital grants and contributions and restricted interest	2,500	10,080	0	0	2,500	10,080	-75.20%
General revenues:							
Property tax	1,483,691	1,498,243	0	0	1,483,691	1,498,243	-0.97%
Income surtax	116,041	0	0	0	116,041	0	100.00%
Statewide sales and services tax	229,475	220,143	0	0	229,475	220,143	4.24%
Nonspecific program federal grants	77,788	0	0	0	77,788	0	100.00%
Unrestricted state grants	1,600,968	1,138,074	0	0	1,600,968	1,138,074	40.67%
Other	155,528	107,657	4,363	3,685	159,891	111,342	43.60%
Transfers	(400)	(400)	0	0	(400)	(400)	-100.00%
Total revenues & transfers	<u>4,415,309</u>	<u>3,959,776</u>	<u>190,185</u>	<u>188,196</u>	<u>4,605,494</u>	<u>4,147,972</u>	<u>11.03%</u>
Program expenses:							
Governmental activities:							
Instruction	2,375,615	2,546,606	0	0	2,375,615	2,546,606	-6.71%
Support services	1,252,137	1,170,397	478	3,754	1,252,615	1,174,151	6.68%
Non-instructional programs	0	0	196,004	183,606	196,004	183,606	6.75%
Other expenses	233,808	307,990	0	0	233,808	307,990	-24.09%
Total expenses	<u>3,861,560</u>	<u>4,024,993</u>	<u>196,482</u>	<u>187,360</u>	<u>4,058,042</u>	<u>4,212,353</u>	<u>-3.66%</u>
Change in net assets	553,749	(65,217)	(6,297)	836	547,452	(64,381)	-950.33%
Beginning net assets, as restated	<u>2,539,084</u>	<u>2,604,301</u>	<u>52,019</u>	<u>51,183</u>	<u>2,591,103</u>	<u>2,655,484</u>	<u>-2.42%</u>
Ending net assets	<u>\$ 3,092,833</u>	<u>2,539,084</u>	<u>45,722</u>	<u>52,019</u>	<u>3,138,555</u>	<u>2,591,103</u>	<u>21.13%</u>

In fiscal 2011, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 77.69% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 97.71% of the revenue from business type activities.

The District's total revenues were \$4,605,494 of which \$4,415,309 was for governmental activities and \$190,185 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 11.03% increase in revenues and an 3.66% decrease in expenses. Unrestricted state grants increased by \$462,894 to help fund the expenditures. The decrease in expenses was related to decreases in instructional and other expenses.

Governmental Activities

Revenues for governmental activities were \$4,415,309 and expenses were \$3,861,560.

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		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 2,375,615	2,546,606	-6.71%	1,812,027	1,697,021	6.78%
Support services	1,252,137	1,170,397	6.98%	1,205,544	1,169,603	3.07%
Other expenses	233,808	307,990	-24.09%	91,771	162,310	-43.46%
Totals	<u>\$ 3,861,560</u>	<u>4,024,993</u>	<u>-4.06%</u>	<u>3,109,342</u>	<u>3,028,934</u>	<u>2.65%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$251,419.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$500,799.
- The net cost of governmental activities was financed with \$1,483,691 in property tax, \$116,041 in income surtax, \$229,475 in statewide sales and services tax, \$77,788 in nonspecific program federal grants, \$1,600,968 in unrestricted state grants, \$17,280 in interest income and \$137,848 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$190,185 and expenses were \$196,482. 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 \$1,630,725, above last year's ending fund balance of \$1,222,129. The increase in combined fund balance in fiscal 2011 is attributable in part to increased revenues.

Governmental Fund Highlights

- The District's General Fund balance increased from \$563,506 on June 30, 2010 to \$804,456 on June 30, 2011. The fluctuation in the District's General Fund financial position is the product of many factors. An increase in local and state revenue during the year resulted in an increase in total revenues. The decrease in expenditures was due to the decreases in instructional and other expenditures.
- The Capital Projects fund balance increased from \$531,364 in 2010 to \$699,039 in 2011, partially due to the reclassification of Physical Plant and Equipment Levy as a Capital

Projects Account due to GASB statement number 54. Revenues increased from \$423,160 at June 30, 2010 to \$432,592 at June 30, 2011. Expenditures decreased from \$360,144 at June 30, 2010 to \$264,917 at June 30, 2011.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$52,019 at June 30, 2010 to \$45,722 at June 30, 2011, representing a decrease of 12.11%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$95,206 less than budgeted revenues, a variance of 2.03%. 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, 2011, the District had invested \$1,425,149, 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 7.56% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$123,837.

The original cost of the District's capital assets was \$4,209,203. Governmental funds account for \$4,112,963 with the remainder of \$96,240 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2010, compared to \$218,141 reported at June 30, 2011.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 3,714	3,714	0	0	3,714	3,714	0.00%
Construction in progress	218,141	0	0	0	218,141	0	100.00%
Buildings	161,967	180,118	0	0	948,588	1,030,767	-7.97%
Land improvements	948,588	1,030,767	0	0	161,967	180,118	-10.08%
Machinery and equipment	67,624	82,868	25,115	27,470	92,739	110,338	-15.95%
Total	\$ 1,400,034	1,297,467	25,115	27,470	1,425,149	1,324,937	7.56%

Long-Term Debt

At June 30, 2011, the District had \$55,878 in long-term debt outstanding. This represents a decrease of 41.48% 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 early retirement payable of \$27,088 at June 30, 2011.

The District has a Net OPEB liability of \$28,112 in the governmental activities and \$678 in the business type activities.

Figure A-7								
Outstanding Long-Term Obligations								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2011	2010	2011	2010	2011	2010	2010-11	
Capital loan note	\$ 0	45,000	0	0	0	45,000	-100.00%	
Early Retirement	27,088	36,617	0	0	27,088	36,617	-26.02%	
Net OPEB liability	28,112	13,557	678	308	28,790	13,865	107.65%	
Totals	\$ 55,200	95,174	678	308	55,878	95,482	-41.48%	

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. 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 continued reduction in funding, the District will continue to implement cost-saving measures and develop a plan for the remainder of the 2011/2012 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.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		Component Unit	
	Governmental Activities	Business Type Activities	Total	Booster Club
Assets				
Cash and pooled investments	\$ 2,089,354	28,871	2,118,225	21,208
Receivables:				
Property tax:				
Delinquent	22,212	0	22,212	0
Succeeding year	1,711,034	0	1,711,034	0
Income surtax	117,274	0	117,274	0
Accounts	7,443	88	7,531	0
Due from other governments	117,796	0	117,796	0
Inventories	0	3,111	3,111	0
Capital assets, net of accumulated depreciation	1,400,034	25,115	1,425,149	0
Total assets	5,465,147	57,185	5,522,332	21,208
Liabilities				
Accounts payable	262,549	59	262,608	0
Salaries and benefits payable	302,901	8,839	311,740	0
Deferred revenue:				
Succeeding year property tax	1,711,034	0	1,711,034	0
Other	40,630	0	40,630	0
Unearned revenue	0	1,887	1,887	0
Long-term liabilities:				
Portion due within one year:				
Early retirement payable	5,843	0	5,843	0
Portion due after one year:				
Early retirement payable	21,245	0	21,245	0
Net OPEB liability	28,112	678	28,790	0
Total liabilities	2,372,314	11,463	2,383,777	0
Net Assets				
Invested in capital assets, net of related debt	1,400,034	25,115	1,425,149	0
Restricted for:				
Categorical funding	167,072	0	167,072	0
Management levy purposes	28,307	0	28,307	0
Student activities	71,835	0	71,835	0
School infrastructure	462,258	0	462,258	0
Physical plant and equipment levy	236,781	0	236,781	0
Committed	333,202	0	333,202	0
Unassigned	393,344	20,607	413,951	21,208
Total net assets	\$ 3,092,833	45,722	3,138,555	21,208

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Booster Club
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Total	
					Governmental Activities	Business Type Activities		
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 1,419,849	106,039	112,310	0	(1,201,500)	0	(1,201,500)	0
Special	425,667	4,276	21,612	0	(399,779)	0	(399,779)	0
Other	530,099	140,309	179,042	0	(210,748)	0	(210,748)	0
	<u>2,375,615</u>	<u>250,624</u>	<u>312,964</u>	<u>0</u>	<u>(1,812,027)</u>	<u>0</u>	<u>(1,812,027)</u>	<u>0</u>
Support services:								
Student	35,673	0	0	0	(35,673)	0	(35,673)	0
Instructional staff	277,183	0	41,603	0	(235,580)	0	(235,580)	0
Administration	350,336	0	118	0	(350,218)	0	(350,218)	0
Operation and maintenance of plant	345,515	0	1,099	2,500	(341,916)	0	(341,916)	0
Transportation	243,430	795	478	0	(242,157)	0	(242,157)	0
	<u>1,252,137</u>	<u>795</u>	<u>43,298</u>	<u>2,500</u>	<u>(1,205,544)</u>	<u>0</u>	<u>(1,205,544)</u>	<u>0</u>
Other expenditures:								
Long-term debt interest	1,012	0	0	0	(1,012)	0	(1,012)	0
AEA flowthrough	142,037	0	142,037	0	0	0	0	0
Depreciation(unallocated)*	90,759	0	0	0	(90,759)	0	(90,759)	0
	<u>233,808</u>	<u>0</u>	<u>142,037</u>	<u>0</u>	<u>(91,771)</u>	<u>0</u>	<u>(91,771)</u>	<u>0</u>
Total governmental activities	3,861,560	251,419	498,299	2,500	(3,109,342)	0	(3,109,342)	
Business Type activities:								
Support services:								
Administration services	478	0	0	0	0	(478)	(478)	0
Non-instructional programs:								
Food service operations	196,004	100,397	85,425	0	0	(10,182)	(10,182)	0
Total business type activities	196,482	100,397	85,425	0	0	(10,660)	(10,660)	0
Total primary government	\$ 4,058,042	351,816	583,724	2,500	(3,109,342)	(10,660)	(3,120,002)	0
Total component unit	\$ 38,852	50,381	0	0				11,529
General Revenues and Transfers:								
General revenues:								
Local tax for:								
General purposes					\$ 1,347,818	0	1,347,818	0
Capital outlay					135,873	0	135,873	0
Income surtax					116,041	0	116,041	0
Statewide sales and services tax					229,475	0	229,475	0
Nonspecific program federal grants					77,788	0	77,788	0
Unrestricted state grants					1,600,968	0	1,600,968	0
Unrestricted investment earnings					17,280	180	17,460	0
Other general revenues					138,248	4,183	142,431	0
Transfers					(400)	0	(400)	0
Total general revenues and transfers					<u>3,663,091</u>	<u>4,363</u>	<u>3,667,454</u>	<u>0</u>
Change in net assets					553,749	(6,297)	547,452	11,529
Net assets beginning of year					<u>2,539,084</u>	<u>52,019</u>	<u>2,591,103</u>	<u>9,679</u>
Net assets end of year					<u>\$ 3,092,833</u>	<u>45,722</u>	<u>3,138,555</u>	<u>21,208</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, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,136,186	823,992	129,005	2,089,183
Receivables:				
Property tax:				
Delinquent	18,994	2,180	1,038	22,212
Succeeding year	1,468,548	162,486	80,000	1,711,034
Income surtax	58,637	58,637	0	117,274
Accounts	4,227	0	3,216	7,443
Due from other governments	56,027	61,769	0	117,796
Total assets	\$ 2,742,619	1,109,064	213,259	4,064,942
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 68,679	188,902	4,797	262,378
Salaries and benefits payable	301,669	0	1,232	302,901
Deferred revenue:				
Succeeding year property tax	1,468,548	162,486	80,000	1,711,034
Income surtax	58,637	58,637	0	117,274
Other	40,630	0	0	40,630
Total liabilities	1,938,163	410,025	86,029	2,434,217
Fund balances:				
Restricted for:				
Categorical funding	167,072	0	0	167,072
Management levy purposes	0	0	55,395	55,395
Student activities	0	0	71,835	71,835
School infrastructure	0	462,258	0	462,258
Physical plant and equipment levy	0	236,781	0	236,781
Committed	333,202	0	0	333,202
Unassigned	304,182	0	0	304,182
Total fund balances	804,456	699,039	127,230	1,630,725
Total liabilities and fund balances	\$ 2,742,619	1,109,064	213,259	4,064,942

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, 2011

Total fund balances of governmental funds(page 20)	\$ 1,630,725
<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.	1,400,034
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	117,274
Long-term liabilities, including capital loan notes payable early retirement payable, and net OPEB liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(55,200)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 3,092,833</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, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,335,103	422,484	69,852	1,827,439
Tuition	93,936	0	0	93,936
Other	219,780	10,108	173,877	403,765
Intermediate sources	1,650	0	0	1,650
State sources	1,869,039	0	0	1,869,039
Federal sources	218,112	0	0	218,112
Total revenues	<u>3,737,620</u>	<u>432,592</u>	<u>243,729</u>	<u>4,413,941</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,381,436	981	0	1,382,417
Special	425,667	0	0	425,667
Other	370,339	0	154,256	524,595
	<u>2,177,442</u>	<u>981</u>	<u>154,256</u>	<u>2,332,679</u>
Support services:				
Student	35,188	0	315	35,503
Instructional staff	276,695	0	0	276,695
Administration	341,861	2,808	3,779	348,448
Operation and maintenance of plant	270,907	10,052	79,303	360,262
Transportation	216,202	0	5,905	222,107
	<u>1,140,853</u>	<u>12,860</u>	<u>89,302</u>	<u>1,243,015</u>
Other expenditures:				
Facilities acquisitions	0	251,076	0	251,076
Long-term debt:				
Principal	0	0	45,000	45,000
Interest and fiscal charges	0	0	1,856	1,856
AEA flowthrough	142,037	0	0	142,037
	<u>142,037</u>	<u>251,076</u>	<u>46,856</u>	<u>439,969</u>
Total expenditures	<u>3,460,332</u>	<u>264,917</u>	<u>290,414</u>	<u>4,015,663</u>
Excess(deficiency) of revenues over(under) expenditures	277,288	167,675	(46,685)	398,278
Other financing sources(uses):				
Transfers in	0	0	49,856	49,856
Transfers out	(47,056)	0	(3,200)	(50,256)
Proceeds from sale of equipment	10,718	0	0	10,718
Total other financing sources(uses)	<u>(36,338)</u>	<u>0</u>	<u>46,656</u>	<u>10,318</u>
Net change in fund balances	240,950	167,675	(29)	408,596
Fund balance beginning of year, as restated	563,506	531,364	127,259	1,222,129
Fund balance end of year	<u>\$ 804,456</u>	<u>699,039</u>	<u>127,230</u>	<u>1,630,725</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
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22)		\$ 408,596
 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	\$ 234,174	
Depreciation expense	(119,366)	
Loss on disposal of capital assets	<u>(12,241)</u>	102,567
 Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		
		45,000
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		844
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		1,768
 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		9,529
Net OPEB liability		<u>(14,555)</u>
 Changes in net assets of governmental activities(page 19)		 <u>\$ 553,749</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Assets		
Cash and pooled investments	\$ 28,871	171
Accounts receivable	88	0
Inventories	3,111	0
Capital assets, net of accumulated depreciation	25,115	0
Total assets	57,185	171
Liabilities		
Accounts payable	59	171
Salaries and benefits payable	8,839	0
Unearned revenue	1,887	0
Net OPEB liability	678	0
Total liabilities	11,463	171
Net Assets		
Invested in capital assets	25,115	0
Unrestricted	20,607	0
Total net assets	\$ 45,722	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, 2011

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 100,397	8,840
Miscellaneous	4,183	0
Total operating revenues	<u>104,580</u>	<u>8,840</u>
Operating expenses:		
Support services:		
Administration	478	8,840
Non-instructional programs:		
Food service operations:		
Salaries	69,644	0
Benefits	17,118	0
Services	5,585	0
Supplies	99,062	0
Depreciation	4,471	0
Other	124	0
	<u>196,004</u>	<u>0</u>
Total operating expenses	<u>196,482</u>	<u>8,840</u>
Operating loss	<u>(91,902)</u>	<u>0</u>
Non-operating revenues:		
State sources	1,604	0
Federal sources	83,821	0
Interest income	180	0
Total non-operating revenues	<u>85,605</u>	<u>0</u>
Change in net assets	(6,297)	0
Net assets beginning of year	<u>52,019</u>	<u>0</u>
Net assets end of year	<u>\$ 45,722</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, 2011

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 100,917	0
Cash received from miscellaneous	4,183	9,322
Cash payments to employees for services	(86,010)	0
Cash payments to suppliers for goods or services	(94,377)	(9,991)
Net cash provided by(used in) operating activities	<u>(75,287)</u>	<u>(669)</u>
Cash flows from non-capital financing activities:		
State grants received	1,604	0
Federal grants received	73,791	0
Net cash provided by non-capital financing activities	<u>75,395</u>	<u>0</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(2,116)	0
Cash flows from investing activities:		
Interest on investments	180	0
Net decrease in cash and cash equivalents	(1,828)	(669)
Cash and cash equivalents at beginning of year	30,699	840
Cash and cash equivalents at end of year	<u>\$ 28,871</u>	<u>171</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (91,902)	0
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	10,030	0
Depreciation	4,471	0
Decrease in inventories	1,105	0
(Increase)Decrease in accounts receivable	(19)	482
Increase in accounts payable	(263)	0
Increase(Decrease) in salaries and benefits payable	382	(1,151)
Increase in net OPEB liability	370	0
Increase in unearned revenue	539	0
Net cash used in operating activities	<u>\$ (75,287)</u>	<u>(669)</u>

During the year ended June 30, 2011, the District received Federal commodities valued at \$10,030.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 192,690
Liabilities	0
Net Assets	
Restricted for scholarships	\$ 192,690

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 10,000
Interest income	3,301
Total additions	13,301
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	3,400
Deficiency of revenues under expenditures	9,901
Other financing sources(uses):	
Transfers in	3,400
Transfers out	(3,000)
Total other financing sources(uses)	400
Change in net assets	10,301
Net assets beginning of year	182,389
Net assets end of year	\$ 192,690

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(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 through twelve. 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.

These financial statements present the Adair-Casey Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

The Adair-Casey Booster Club was established as a support group to encourage parent and community participation and to raise funds to enhance and expand the Academic, Social and Athletic programs available to each individual student at Adair-Casey Schools. The Booster Club is a separate legal entity with its own accounting records and board of trustees. The Booster Club does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Booster Club meets the definition of a component unit which should be discretely presented. The Booster Club is accounted for as a Governmental fund in these financial statements.

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. 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 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 and other capital assets.

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.

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets -Capital assets, which include property, 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
Intangibles	25,000
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
Intangibles	2 or more 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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or 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, 2011 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education 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. At June 30, 2011 the District had no investments.

(3) Transfers

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 46,856
Private Purpose Trust	General	200
Private Purpose Trust	Student Activity	3,200
Student Activity	Private Purpose Trust	3,000
Total		<u>\$ 53,256</u>

The transfer from the General Fund to the Debt Service Fund was for the principal and interest payments for the District's capital loan note indebtedness.

The transfer from the General Fund and Student Activity Fund to the Private Purpose Trust Fund were for the funding of scholarships awarded to students of the District.

The transfer from the Private Purpose Trust Fund to the Student Activity Fund was to pay back the Student Activity Fund for the scholarships awarded that were initially paid from the Student Activity Fund.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 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
Construction in progress	0	218,141	0	218,141
Total capital assets not being depreciated	<u>3,714</u>	<u>218,141</u>	<u>0</u>	<u>221,855</u>
Capital assets being depreciated:				
Buildings	1,505,244	2,670	12,241	1,495,673
Land improvements	2,758,338	0	1,021,180	1,737,158
Machinery and equipment	644,914	13,363	0	658,277
Total capital assets being depreciated	<u>4,908,496</u>	<u>16,033</u>	<u>1,033,421</u>	<u>3,891,108</u>
Less accumulated depreciation for:				
Buildings	1,325,126	8,580	0	1,333,706
Land improvements	1,727,571	82,179	1,021,180	788,570
Machinery and equipment	562,046	28,607	0	590,653
Total accumulated depreciation	<u>3,614,743</u>	<u>119,366</u>	<u>1,021,180</u>	<u>2,712,929</u>
Total capital assets being depreciated, net	<u>1,293,753</u>	<u>(103,333)</u>	<u>12,241</u>	<u>1,178,179</u>
Governmental activities capital assets, net	<u>\$ 1,297,467</u>	<u>114,808</u>	<u>12,241</u>	<u>1,400,034</u>

Business type activities:

Machinery and equipment	\$	94,747	2,116	623	96,240
Less accumulated depreciation		67,277	4,471	623	71,125
Business type activities capital assets, net	\$	27,470	(2,355)	0	25,115

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Other \$ 5,504

Support services:

Operation and maintenance of plant 2,707

Transportation 20,396

28,607

Unallocated depreciation 90,759

Total governmental activities depreciation expense \$ 119,366

Business type activities:

Food services \$ 4,471

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Capital loan note	\$ 45,000	0	45,000	0	0
Early retirement	36,617	27,088	36,617	27,088	5,843
Net OPEB liability	13,557	14,555	0	28,112	0
Total	\$ 95,174	41,643	81,617	55,200	5,843
Business type activities:					
Net OPEB liability	\$ 308	370	0	678	0

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service to the District. Employees complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2011, totaled \$36,617.

(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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$142,052, \$136,241, and \$125,424 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 42 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which result in an implicit rate 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 which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 20,261
Interest on net OPEB obligation	347
Adjustment to annual required contribution	(2,276)
Annual OPEB cost	<u>18,332</u>
Contributions made	<u>(3,407)</u>
Increase in net OPEB obligation	14,925
Net OPEB obligation beginning of year	13,865
Net OPEB obligation end of year	<u><u>\$ 28,790</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 19,055	27.20%	\$ 13,865
2011	18,332	18.58%	28,790

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$162,377, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$162,377. The covered payroll (annual payroll of active employees covered by the plan) was \$1,605,643, and the ratio of the UAAL to covered payroll was 10.11%.

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 event 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 July 1, 2009 actuarial valuation date, the unit credit 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%.

(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, 2011 were \$278,006.

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 \$142,037 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2011 are comprised of the following projects:

Project	Amount
Gifted and talented programs	\$ 12,648
Home school assistance program	5,446
Teacher salary supplement	9,629
Limited english proficient	1,783
Returning dropouts and dropout prevention	50,597
Professional development	20,226
4 year old preschool	66,743
Total	\$ 167,072

(11) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassification is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 426,156	105,208
Change in fund type classification per implementation of GASB Statement No. 54	105,208	(105,208)
Balances July 1, 2010, as restated	\$ 531,364	-

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, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,325,140	104,760	2,429,900	2,338,974	2,338,974	90,926
Intermediate sources	1,650	0	1,650	500	500	1,150
State sources	1,869,039	1,604	1,870,643	2,084,858	2,084,858	(214,215)
Federal sources	218,112	83,821	301,933	275,000	275,000	26,933
Total revenues	4,413,941	190,185	4,604,126	4,699,332	4,699,332	(95,206)
Expenditures/Expenses:						
Instruction	2,332,679	0	2,332,679	2,878,468	2,878,468	545,789
Support services	1,243,015	478	1,243,493	1,427,000	1,427,000	183,507
Non-instructional programs	0	196,004	196,004	243,883	243,883	47,879
Other expenditures	439,969	0	439,969	933,141	933,141	493,172
Total expenditures/expenses	4,015,663	196,482	4,212,145	5,482,492	5,482,492	1,270,347
Excess(deficiency) of revenues over(under) expenditures/expenses	398,278	(6,297)	391,981	(783,160)	(783,160)	1,175,141
Other financing sources, net	10,318	0	10,318	1,700	1,700	8,618
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	408,596	(6,297)	402,299	(781,460)	(781,460)	1,183,759
Balance beginning of year	1,222,129	52,019	1,274,148	1,265,001	1,265,001	9,147
Balance end of year	\$ 1,630,725	45,722	1,676,447	483,541	483,541	1,192,906

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

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, 2009	\$ 0	\$ 162,377	\$ 162,377	0.00%	\$ 1,683,024	9.65%
2011	July 1, 2009	\$ 0	\$ 162,377	\$ 162,377	0.00%	\$ 1,605,643	10.11%

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.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
 DISCRETE COMPONENT UNIT
 DECEMBER 31, 2011

	Booster Club
Assets	
Cash and pooled investments	\$ 21,208
Total Assets	\$ 21,208
 Total Liabilities	 \$ 0
 Net Assets	
Unrestricted net assets	21,208
Total Net Assets	\$ 21,208

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES AND EXPENSES
 AND CHANGES IN NET ASSETS - CASH BASIS
 DISCRETE COMPONENT UNIT
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Booster Club
Revenue:	
Donations	\$ 50,381
Expenses:	
Other	38,852
Excess of revenue over expenses	11,529
Net assets beginning of year	9,679
Net assets end of year	\$ 21,208

OTHER SUPPLEMENTARY INFORMATION

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 54,357	74,648	129,005
Receivables:			
Property tax:			
Current year delinquent	1,038	0	1,038
Succeeding year	80,000	0	80,000
Accounts	0	3,216	3,216
Total assets	\$ 135,395	77,864	213,259
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 0	4,797	4,797
Salaries and benefits payable	0	1,232	1,232
Deferred revenue:			
Succeeding year property tax	80,000	0	80,000
Total liabilities	80,000	6,029	86,029
Fund balances:			
Restricted			
Management levy purposes	55,395	0	55,395
Student activities	0	71,835	71,835
Total fund balances	55,395	71,835	127,230
Total liabilities and fund balances	\$ 135,395	77,864	213,259

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, 2011

	Special Revenue Funds				Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 69,852	0	69,852	0	69,852
Other	5,963	167,914	173,877	0	173,877
Total revenues	75,815	167,914	243,729	0	243,729
Expenditures:					
Current:					
Instruction:					
Other	0	154,256	154,256	0	154,256
Support services:					
Student	0	315	315	0	315
Administration	3,229	550	3,779	0	3,779
Operation and maintenance of plant	77,422	1,881	79,303	0	79,303
Transportation	5,905	0	5,905	0	5,905
Other expenditures:					
Long-term debt:					
Principal	0	0	0	45,000	45,000
Interest and fiscal charges	0	0	0	1,856	1,856
Total expenditures	86,556	157,002	243,558	46,856	290,414
Excess(deficiency) of revenues over(under) expenditures	(10,741)	10,912	171	(46,856)	(46,685)
Other financing sources(uses):					
Transfer in	0	3,000	3,000	46,856	49,856
Transfer out	0	(3,200)	(3,200)	0	(3,200)
Total other financing sources(uses)	0	(200)	(200)	46,856	46,656
Net change in fund balances	(10,741)	10,712	(29)	0	(29)
Fund balance beginning of year, as restated	66,136	61,123	127,259	0	127,259
Fund balance end of year	\$ 55,395	71,835	127,230	0	127,230

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services, and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 588,589	235,403	823,992
Receivables:			
Property tax:			
Current year delinquent	0	2,180	2,180
Succeeding year	0	162,486	162,486
Income surtax	0	58,637	58,637
Due from other governments	61,769	0	61,769
Total assets	\$ 650,358	458,706	1,109,064
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 188,100	802	188,902
Deferred revenue:			
Succeeding year property tax	0	162,486	162,486
Income surtax	0	58,637	58,637
Total liabilities	188,100	221,925	410,025
Fund balances:			
Restricted for:			
School infrastructure	462,258	0	462,258
Physical plant and equipment	0	236,781	236,781
Total fund balances	462,258	236,781	699,039
Total liabilities and fund balances	\$ 650,358	458,706	1,109,064

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 229,475	193,009	422,484
Other	5,770	4,338	10,108
Total revenues	<u>235,245</u>	<u>197,347</u>	<u>432,592</u>
Expenditures:			
Current:			
Instruction:			
Regular	0	981	981
Support services:			
Administration	0	2,808	2,808
Operation and maintenance of plant	0	10,052	10,052
Other expenditures:			
Facilities acquisitions	199,143	51,933	251,076
Total expenditures	<u>199,143</u>	<u>65,774</u>	<u>264,917</u>
Net change in fund balances	36,102	131,573	167,675
Fund balance beginning of year, as restated	426,156	105,208	531,364
Fund balance end of year	<u>\$ 462,258</u>	<u>236,781</u>	<u>699,039</u>

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, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Annual	\$ 838	4,798	5,318	318
After Prom	1,317	9,800	9,584	1,533
Athletics	40,164	54,157	41,388	52,933
Band	123	710	693	140
Cheerleading Basketball	229	220	220	229
Cheerleading Football	1,898	2,939	3,907	930
Class of 2010	54	0	54	0
Class of 2011	2,129	19,352	21,430	51
Class of 2012	0	6,759	6,267	492
Class of 2013	0	5,458	4,260	1,198
Drama/SP	2,829	2,814	3,563	2,080
Drill Team	993	1,055	2,048	0
FFA	11,998	33,649	36,413	9,234
FFA-Video	(3,655)	3,655	0	0
Music Boosters	1,658	4,063	4,420	1,301
National Honor Society	475	16,431	15,575	1,331
Student Council	0	1,232	1,232	0
Vocal	73	293	301	65
DPT	0	3,000	3,000	0
Interest	0	529	529	0
Total	\$ 61,123	170,914	160,202	71,835

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 EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 1,827,439	1,719,837	1,626,924	1,621,350	1,535,024	1,434,982	1,364,342	1,351,824
Tuition	93,936	73,490	131,410	142,179	111,963	101,970	98,993	93,516
Other	403,765	258,679	287,722	268,126	244,358	224,042	213,518	242,979
Intermediate sources	1,650	1,199	118	483	3,868	980	156	137
State sources	1,869,039	1,518,950	1,903,687	1,785,743	1,547,929	1,419,573	1,427,746	1,357,496
Federal sources	218,112	385,337	132,710	162,589	174,598	138,220	141,726	112,424
Total	\$ 4,413,941	3,957,492	4,082,571	3,980,470	3,617,740	3,319,767	3,246,481	3,158,376
Expenditures:								
Current:								
Instruction:								
Regular	\$ 1,382,417	1,518,606	1,445,177	1,383,917	1,215,190	1,143,577	1,177,728	1,201,522
Special	425,667	411,139	434,428	408,137	358,292	305,131	303,304	320,905
Other	524,595	627,343	502,549	489,381	438,391	426,870	403,458	328,684
Support services:								
Student	35,503	17,035	13,891	13,779	11,325	10,150	32,459	53,200
Instructional staff	276,695	152,694	161,072	154,117	175,322	110,732	86,793	74,319
Administration	348,448	350,408	354,886	318,809	322,818	412,406	374,093	371,583
Operation and maintenance of plant	360,262	369,770	374,175	343,068	309,887	277,026	316,897	292,847
Transportation	222,107	201,475	197,514	218,891	317,121	161,655	186,545	274,015
Other expenditures:								
Facilities acquisitions	251,076	87,770	405,651	12,140	37,740	30,594	8,881	36,516
Long-term debt:								
Principal	45,000	112,070	145,898	140,928	136,147	173,362	167,295	123,344
Interest	1,856	6,936	13,343	20,487	27,291	35,561	43,524	46,291
AEA flow-through	142,037	135,600	128,249	118,199	104,983	101,252	101,744	102,656
Total	\$ 4,015,663	3,990,846	4,176,833	3,621,853	3,454,507	3,188,316	3,202,721	3,225,882

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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 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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 21, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adair-Casey Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be 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 on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-B-11 and I-C-11 to be significant deficiencies.

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, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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, P.C.

March 21, 2012

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-11 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.

I-B-11 Checks made payable to cash - We noted during our audit instances of checks for start-up money and trip cash made payable only to "cash".

Recommendation - Checks made out to "Cash" are bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event and the District.

Response - Checks for start-up money or trip cash will be made payable to the custodian/sponsor of the event and the District.

Conclusion - Response accepted.

I-C-11 Board Policies - We noted during our audit some of the policies in the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - The District will review the board policy book and update all policies that have not been updated within the past five years. The District will take steps to review board policies in a more timely manner.

Conclusion - Response accepted.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting

- II-A-11 Certified Budget - District expenditures for the year ended June 30, 2011, did not exceed the amount budgeted.
- II-B-11 Questionable Disbursements - We noted during our audit that FFA purchased gift cards in the Student Activity Fund that were given to students as incentive prizes and to volunteers. Giving gift cards to students does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will not purchase gift cards for students or volunteers with public funds.

Conclusion - Response accepted.

- II-C-11 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-11 Business Transactions - Business transactions between the District and District Officials or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Theresa Elgin, Board Secretary Brother-in-law owns Elgin Electric	Purchased Services	\$1,754
Jim Zimmerline, Board Member Owner of Jim's Lawn Care	Lawn Care Services	\$12,733

According to Attorney General's opinion dated November 9, 1976 of the Code of Iowa, the transactions with William Elgin, Brother in law of the Board Secretary 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 appear to represent a conflict of interest. The District paid Jim Zimmerline, Board Member, who owns Jim's Lawn Care the amount of \$12,733.

Recommendation - Chapter 279.7A of the Code of Iowa states that a board member cannot have a direct or indirect interest in the contract of goods of the school district where the board member would derive a benefit of over \$2,500. The District should contact legal counsel in regards to related party transactions with the board member.

Response - The District will take bids for lawn care services on an annual basis.

Conclusion - Response accepted.

- II-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 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-J-11 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-K-11 Categorical Funding - We noted no instances of categorical funding being used to supplant rather than supplement other funds.
- II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	426,156
Revenues:			
Sales tax revenues	\$ 229,475		
Other local revenues	5,770		235,245
			661,401
Expenditures:			
School infrastructure construction			199,143
Ending balance		\$	462,258

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.