

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Adair-Casey Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2011 Election)

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

(After September 2011 Election)

Megan Kading	President	2013
Dallas Dinkla	Vice President	2015
Jim Zimmerline	Board Member	2013
C. Richard Richter	Board Member	2013
Randy Carney	Board Member	2015

School Officials

Steve Smith	Superintendent	2012
Theresa Elgin	District Secretary/ Treasurer	2012
Rick Engel	Attorney	2012

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, 2012, 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, 2012, 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, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan, and the combining

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statements for the discretely presented component unit on pages 7 through 15 and 42 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 seven years ended June 30, 2011 (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. The 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2013

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,748,338 in fiscal 2011 to \$3,639,932 in fiscal 2012, while General Fund expenditures increased from \$3,507,388 in fiscal 2011 to \$3,516,122 in fiscal 2012. The net result was an increase in the District's General Fund balance from \$804,456 in fiscal 2011 to a balance of \$928,266 in fiscal 2012, a 15.39% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in federal and state sources in fiscal 2012. The increase in expenditures was due primarily to an increase 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.

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.

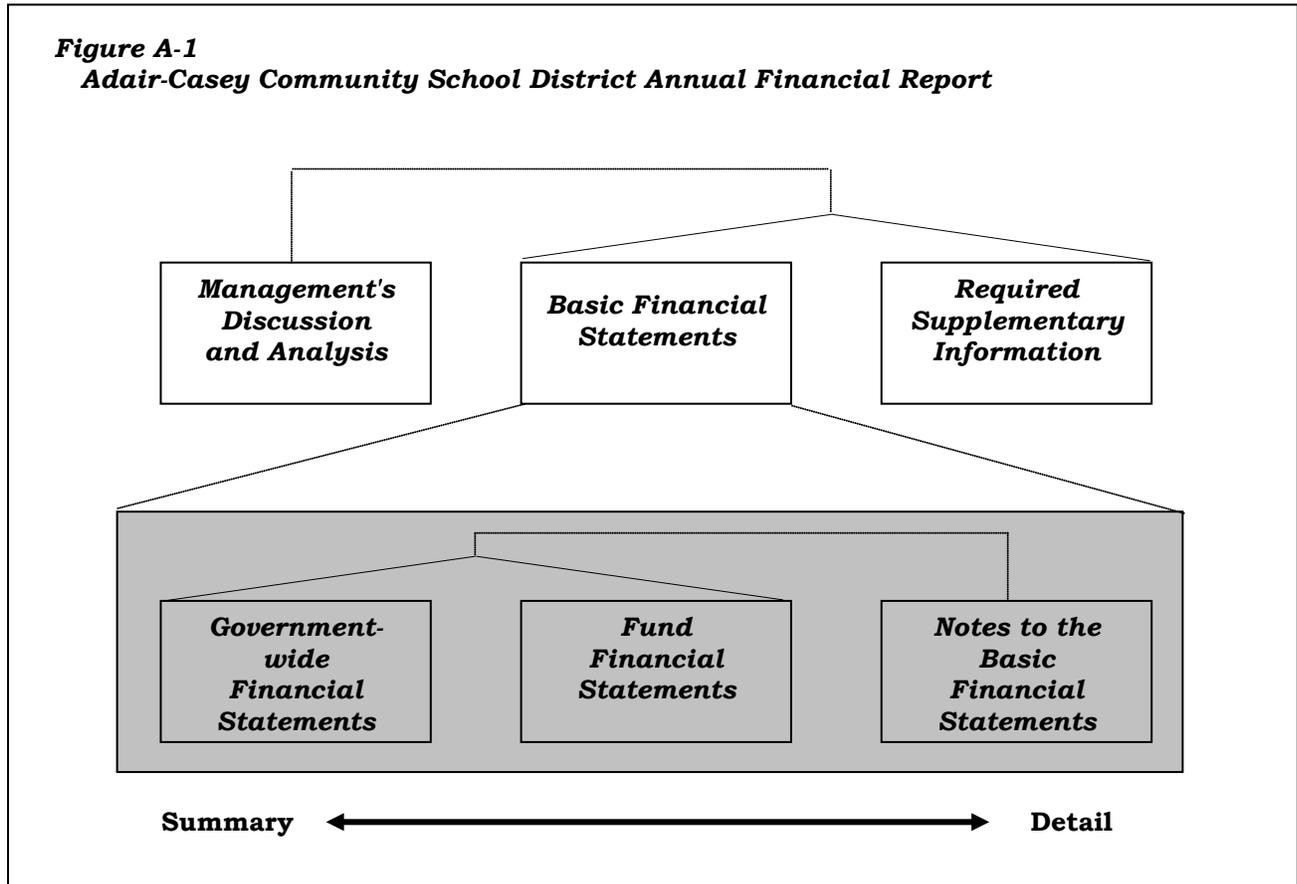


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 net assets • Statement of revenues, expenses and changes in fund 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 net assets, a statement of revenues, expenses and changes in fund 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, 2012 compared to June 30, 2011.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 3,865,198	4,065,113	34,791	32,070	3,899,989	4,097,183	-4.81%
Capital assets	1,716,271	1,400,034	20,644	25,115	1,736,915	1,425,149	21.88%
Total assets	<u>5,581,469</u>	<u>5,465,147</u>	<u>55,435</u>	<u>57,185</u>	<u>5,636,904</u>	<u>5,522,332</u>	<u>2.07%</u>
Long-term obligations	119,593	55,200	1,144	678	120,737	55,878	116.07%
Other liabilities	2,107,305	2,317,114	11,021	10,785	2,118,326	2,327,899	-9.00%
Total liabilities	<u>2,226,898</u>	<u>2,372,314</u>	<u>12,165</u>	<u>11,463</u>	<u>2,239,063</u>	<u>2,383,777</u>	<u>-6.07%</u>
Net assets:							
Invested in capital assets, net of related debt	1,716,271	1,400,034	20,644	25,115	1,736,915	1,425,149	21.88%
Restricted	780,803	1,299,455	0	0	780,803	1,299,455	-39.91%
Unrestricted	857,497	393,344	22,626	20,607	880,123	413,951	112.62%
Total net assets	<u>\$ 3,354,571</u>	<u>3,092,833</u>	<u>43,270</u>	<u>45,722</u>	<u>3,397,841</u>	<u>3,138,555</u>	<u>8.26%</u>

The District's combined net assets increased by 8.26%, or \$259,286 over the prior year. The largest portion of the District's net assets is 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 represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$518,652, or 39.91% over the prior year. The decrease in

restricted nets assets was primarily due to the decrease in fund balance in the Capital Projects: Statewide Sales, Services, and Use Tax 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 – increased \$466,172, or 112.62%.

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

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 209,254	251,419	100,354	100,397	309,608	351,816	-12.00%
Operating grants and contributions and restricted interest	342,506	498,299	92,687	85,425	435,193	583,724	-25.45%
Capital grants and contributions and restricted interest	11,098	2,500	0	0	11,098	2,500	343.92%
General revenues:							
Property tax	1,712,657	1,483,691	0	0	1,712,657	1,483,691	15.43%
Income surtax	111,970	116,041	0	0	111,970	116,041	-3.51%
Statewide sales and services tax	265,164	229,475	0	0	265,164	229,475	15.55%
Nonspecific program federal grants	34,757	77,788	0	0	34,757	77,788	-55.32%
Unrestricted state grants	1,617,388	1,600,968	0	0	1,617,388	1,600,968	1.03%
Other	71,262	155,528	111	4,363	71,373	159,891	-55.36%
Transfers	0	(400)	0	0	0	(400)	100.00%
Total revenues & transfers	<u>4,376,056</u>	<u>4,415,309</u>	<u>193,152</u>	<u>190,185</u>	<u>4,569,208</u>	<u>4,605,494</u>	<u>-0.79%</u>
Program expenses:							
Governmental activities:							
Instruction	2,611,204	2,375,615	0	0	2,611,204	2,375,615	9.92%
Support services	1,260,092	1,252,137	3,651	478	1,263,743	1,252,615	0.89%
Non-instructional programs	530	0	191,953	196,004	192,483	196,004	-1.80%
Other expenses	242,492	233,808	0	0	242,492	233,808	3.71%
Total expenses	<u>4,114,318</u>	<u>3,861,560</u>	<u>195,604</u>	<u>196,482</u>	<u>4,309,922</u>	<u>4,058,042</u>	<u>6.21%</u>
Change in net assets	261,738	553,749	(2,452)	(6,297)	259,286	547,452	-52.64%
Beginning 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>
Ending net assets	<u>\$ 3,354,571</u>	<u>3,092,833</u>	<u>43,270</u>	<u>45,722</u>	<u>3,397,841</u>	<u>3,138,555</u>	<u>8.26%</u>

In fiscal 2012, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 84.72% of the revenue from governmental activities while charges for service and sales and operating grants and contributions and restricted interest account for 99.94% of the revenue from business type activities.

The District's total revenues were \$4,569,208 of which \$4,376,056 was for governmental activities and \$193,152 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.79% decrease in revenues and a 6.21% increase in expenses. The increase in expenses was primarily related to increases in instructional functional area.

Governmental Activities

Revenues for governmental activities were \$4,376,056 and expenses were \$4,114,318.

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		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 2,611,204	2,375,615	9.92%	2,196,316	1,812,027	21.21%
Support services	1,260,092	1,252,137	0.64%	1,240,372	1,205,544	2.89%
Non-instructional	530	0	100.00%	530	0	100.00%
Other expenses	242,492	233,808	3.71%	114,242	91,771	24.49%
Totals	\$ 4,114,318	3,861,560	6.55%	3,551,460	3,109,342	14.22%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$209,254.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$353,604.
- The net cost of governmental activities was financed with \$1,712,657 in property tax, \$111,970 in income surtax, \$265,164 in statewide sales and services tax, \$34,757 in nonspecific program federal grants, \$1,617,388 in unrestricted state grants, \$11,422 in interest income and \$59,840 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$193,152 and expenses were \$195,604. 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 \$1,643,765, above last year's ending fund balance of \$1,630,725. The increase in combined fund balance in fiscal 2012 is attributable to the increase in the General Fund.

Governmental Fund Highlights

- The District's General Fund balance increased from \$804,456 on June 30, 2011 to \$928,266 on June 30, 2012. The fluctuation in the District's General Fund financial position is the product of many factors. A decrease in state and federal revenue during the year resulted in a decrease in total revenues. Expenditures in the instruction functional area increased compared to the prior year.

- The Capital Projects fund balance decreased from \$699,039 in 2011 to \$560,316 in 2012. Revenues increased from \$432,592 at June 30, 2011 to \$500,432 at June 30, 2012. Expenditures increased from \$264,917 at June 30, 2011 to \$639,155 at June 30, 2012. This led to a reduction in fund balance of \$138,723 for the year ended June 30, 2012.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$45,722 at June 30, 2011 to \$43,270 at June 30, 2012, representing a decrease of 5.36%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$160,087 less than budgeted revenues, a variance of 3.38%. The most significant variance resulted from the District receiving less in local 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.

Over the course of the year, Adair-Casey Community School District amended its budget one time and increased expenditures by \$310,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$1,736,915, 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 21.88% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$197,649.

The original cost of the District's capital assets was \$4,714,425. Governmental funds account for \$4,618,808 with the remainder of \$95,617 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$92,739 at June 30, 2011, compared to \$264,559 reported at June 30, 2012. The increase was primarily related to the laptops acquired for the District's 1:1 computer program.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 3,714	3,714	0	0	3,714	3,714	0.00%
Construction in progress	0	218,141	0	0	0	218,141	-100.00%
Buildings	163,195	161,967	0	0	1,305,447	948,588	37.62%
Land improvements	1,305,447	948,588	0	0	163,195	161,967	0.76%
Machinery and equipment	243,915	67,624	20,644	25,115	264,559	92,739	185.27%
Total	\$ 1,716,271	1,400,034	20,644	25,115	1,736,915	1,425,149	21.88%

Long-Term Debt

At June 30, 2012, the District had \$120,765 in long-term debt outstanding. This represents an increase of 116.12% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had early retirement payable of \$72,055 at June 30, 2012.

The District has a Net OPEB liability of \$47,538 in the governmental activities and \$1,172 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,
		2012	2011	2012	2011	2012	2011	2011-12
Early Retirement	\$	72,055	27,088	0	0	72,055	27,088	166.00%
Net OPEB liability		47,538	28,112	1,172	678	48,710	28,790	69.19%
Totals	\$	119,593	55,200	1,172	678	120,765	55,878	116.12%

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 2012/2013 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, 2012

	Primary Government		Component Unit	
	Governmental Activities	Business Type Activities	Total	Booster Club
Assets				
Cash and pooled investments	\$ 1,873,508	30,647	1,904,155	40,021
Receivables:				
Property tax:				
Delinquent	25,259	0	25,259	0
Succeeding year	1,716,334	0	1,716,334	0
Income surtax	114,128	0	114,128	0
Accounts	549	30	579	0
Due from other governments	135,420	0	135,420	0
Inventories	0	4,114	4,114	0
Capital assets, net of accumulated depreciation	1,716,271	20,644	1,736,915	0
Total assets	5,581,469	55,435	5,636,904	40,021
Liabilities				
Accounts payable	90,129	26	90,155	0
Salaries and benefits payable	300,842	9,129	309,971	0
Deferred revenue:				
Succeeding year property tax	1,716,334	0	1,716,334	0
Unearned revenue	0	1,866	1,866	0
Long-term liabilities:				
Portion due within one year:				
Early retirement payable	57,184	0	57,184	0
Portion due after one year:				
Early retirement payable	14,871	0	14,871	0
Net OPEB liability	47,538	1,144	48,682	0
Total liabilities	2,226,898	12,165	2,239,063	0
Net Assets				
Invested in capital assets, net of related debt	1,716,271	20,644	1,736,915	0
Restricted for:				
Categorical funding	135,635	0	135,635	0
Management levy purposes	14,975	0	14,975	0
Student activities	69,877	0	69,877	0
School infrastructure	183,348	0	183,348	0
Physical plant and equipment levy	376,968	0	376,968	0
Unassigned	857,497	22,626	880,123	40,021
Total net assets	\$ 3,354,571	43,270	3,397,841	40,021

SEE NOTES TO FINANCIAL STATEMENTS.

**ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

	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	Business Type		
					Activities	Activities		
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 1,594,310	60,940	63,237	0	(1,470,133)	0	(1,470,133)	0
Special	462,923	6,232	17,720	0	(438,971)	0	(438,971)	0
Other	553,971	141,260	125,499	0	(287,212)	0	(287,212)	0
	<u>2,611,204</u>	<u>208,432</u>	<u>206,456</u>	<u>0</u>	<u>(2,196,316)</u>	<u>0</u>	<u>(2,196,316)</u>	<u>0</u>
Support services:								
Student	44,831	0	0	0	(44,831)	0	(44,831)	0
Instructional staff	214,942	0	7,800	0	(207,142)	0	(207,142)	0
Administration	390,797	0	0	0	(390,797)	0	(390,797)	0
Operation and maintenance of plant	380,512	0	0	11,098	(369,414)	0	(369,414)	0
Transportation	229,010	822	0	0	(228,188)	0	(228,188)	0
	<u>1,260,092</u>	<u>822</u>	<u>7,800</u>	<u>11,098</u>	<u>(1,240,372)</u>	<u>0</u>	<u>(1,240,372)</u>	<u>0</u>
Non-instructional programs:								
Food service operations	530	0	0	0	(530)	0	(530)	0
Other expenditures:								
AEA flowthrough	128,250	0	128,250	0	0	0	0	0
Depreciation(unallocated)*	114,242	0	0	0	(114,242)	0	(114,242)	0
	<u>242,492</u>	<u>0</u>	<u>128,250</u>	<u>0</u>	<u>(114,242)</u>	<u>0</u>	<u>(114,242)</u>	<u>0</u>
Total governmental activities	4,114,318	209,254	342,506	11,098	(3,551,460)	0	(3,551,460)	0
Business Type activities:								
Support services:								
Administration services	1,033	0	0	0	0	(1,033)	(1,033)	0
Operation and maintenance of plant services	2,618	0	0	0	0	(2,618)	(2,618)	0
	<u>3,651</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,651)</u>	<u>(3,651)</u>	<u>0</u>
Non-instructional programs:								
Food service operations	191,953	100,354	92,687	0	0	1,088	1,088	0
Total business type activities	195,604	100,354	92,687	0	0	(2,563)	(2,563)	0
Total primary government	\$ 4,309,922	309,608	435,193	11,098	(3,551,460)	(2,563)	(3,554,023)	0
Total component unit	\$ 85,056	59,293	44,560	0				18,797
General Revenues and Transfers:								
General revenues:								
Local tax for:								
General purposes					\$ 1,550,216	0	1,550,216	0
Capital outlay					162,441	0	162,441	0
Income surtax					111,970	0	111,970	0
Statewide sales and services tax					265,164	0	265,164	0
Nonspecific program federal grants					34,757	0	34,757	0
Unrestricted state grants					1,617,388	0	1,617,388	0
Unrestricted investment earnings					11,422	111	11,533	16
Other general revenues					59,840	0	59,840	0
Total general revenues and transfers					<u>3,813,198</u>	<u>111</u>	<u>3,813,309</u>	<u>16</u>
Change in net assets					261,738	(2,452)	259,286	18,813
Net assets beginning of year					<u>3,092,833</u>	<u>45,722</u>	<u>3,138,555</u>	<u>21,208</u>
Net assets end of year					<u>\$ 3,354,571</u>	<u>43,270</u>	<u>3,397,841</u>	<u>40,021</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,217,922	491,940	163,258	1,873,120
Receivables:				
Property tax:				
Delinquent	21,673	2,407	1,179	25,259
Succeeding year	1,414,360	201,974	100,000	1,716,334
Income surtax	57,064	57,064	0	114,128
Accounts	134	0	415	549
Due from other governments	65,771	69,649	0	135,420
Total assets	\$ 2,776,924	823,034	264,852	3,864,810
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 76,392	3,680	9,669	89,741
Salaries and benefits payable	300,842	0	0	300,842
Deferred revenue:				
Succeeding year property tax	1,414,360	201,974	100,000	1,716,334
Income surtax	57,064	57,064	0	114,128
Total liabilities	1,848,658	262,718	109,669	2,221,045
Fund balances:				
Restricted for:				
Categorical funding	135,635	0	0	135,635
Management levy purposes	0	0	87,030	87,030
Student activities	0	0	69,877	69,877
School infrastructure	0	183,348	0	183,348
Physical plant and equipment levy	0	376,968	0	376,968
Unassigned:				
General	792,631	0	0	792,631
Student activities	0	0	(1,724)	(1,724)
Total fund balances	928,266	560,316	155,183	1,643,765
Total liabilities and fund balances	\$ 2,776,924	823,034	264,852	3,864,810

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 20)	\$	1,643,765
 <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.		1,716,271
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		114,128
Long-term liabilities, including 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>(119,593)</u>
Net assets of governmental activities(page 18)	\$	<u><u>3,354,571</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,527,795	485,163	79,979	2,092,937
Tuition	60,915	0	0	60,915
Other	90,705	4,171	162,611	257,487
State sources	1,794,629	0	0	1,794,629
Federal sources	162,136	11,098	0	173,234
Total revenues	<u>3,636,180</u>	<u>500,432</u>	<u>242,590</u>	<u>4,379,202</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,501,323	246,510	0	1,747,833
Special	462,923	0	0	462,923
Other	386,087	0	157,358	543,445
	<u>2,350,333</u>	<u>246,510</u>	<u>157,358</u>	<u>2,754,201</u>
Support services:				
Student	42,306	1,983	315	44,604
Instructional staff	150,157	58,291	5,843	214,291
Administration	373,282	11,166	3,829	388,277
Operation and maintenance of plant	269,686	22,174	42,022	333,882
Transportation	202,108	0	5,270	207,378
	<u>1,037,539</u>	<u>93,614</u>	<u>57,279</u>	<u>1,188,432</u>
Non-instructional programs	0	530	0	530
Capital outlay	0	298,501	0	298,501
Other expenditures:				
AEA flowthrough	128,250	0	0	128,250
	<u>128,250</u>	<u>0</u>	<u>0</u>	<u>128,250</u>
Total expenditures	<u>3,516,122</u>	<u>639,155</u>	<u>214,637</u>	<u>4,369,914</u>
Excess(deficiency) of revenues over(under) expenditures	120,058	(138,723)	27,953	9,288
Other financing sources:				
Proceeds from sale of equipment	3,752	0	0	3,752
Net change in fund balances	123,810	(138,723)	27,953	13,040
Fund balance beginning of year	804,456	699,039	127,230	1,630,725
Fund balance end of year	<u>\$ 928,266</u>	<u>560,316</u>	<u>155,183</u>	<u>1,643,765</u>

SEE NOTES TO 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, 2012

Net change in fund balances - total governmental funds(page 22) \$ 13,040

**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 not reported in the Statement of Activities 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	\$ 511,793	
Depreciation expense	(193,178)	
Loss on disposal of capital assets	<u>(2,378)</u>	316,237

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (3,146)

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	(44,967)	
Net OPEB liability	<u>(19,426)</u>	<u>(64,393)</u>

Changes in net assets of governmental activities(page 19) \$ 261,738

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Cash and pooled investments	\$ 30,647	388
Accounts receivable	30	0
Inventories	4,114	0
Capital assets, net of accumulated depreciation	20,644	0
Total assets	55,435	388
Liabilities		
Accounts payable	26	388
Salaries and benefits payable	9,129	0
Unearned revenue	1,866	0
Net OPEB liability	1,144	0
Total liabilities	12,165	388
Net Assets		
Invested in capital assets	20,644	0
Unrestricted	22,626	0
Total net assets	\$ 43,270	0

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 98,944	9,760
Miscellaneous	1,410	0
Total operating revenues	<u>100,354</u>	<u>9,760</u>
Operating expenses:		
Support services:		
Administration		
Services	754	9,760
Supplies	161	0
Other	118	0
Operation and maintenance of plant		
Services	2,618	0
	<u>3,651</u>	<u>9,760</u>
Non-instructional programs:		
Food service operations:		
Salaries	68,155	0
Benefits	17,685	0
Supplies	101,483	0
Depreciation	4,471	0
Other	159	0
	<u>191,953</u>	<u>0</u>
Total operating expenses	<u>195,604</u>	<u>9,760</u>
Operating loss	<u>(95,250)</u>	<u>0</u>
Non-operating revenues:		
State sources	1,703	0
Federal sources	90,984	0
Interest income	111	0
Total non-operating revenues	<u>92,798</u>	<u>0</u>
Change in net assets	(2,452)	0
Net assets beginning of year	<u>45,722</u>	<u>0</u>
Net assets end of year	<u>\$ 43,270</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 98,981	0
Cash received from miscellaneous	1,410	9,760
Cash payments to employees for services	(85,084)	0
Cash payments to suppliers for goods or services	(95,238)	(9,543)
Net cash provided by(used in) operating activities	<u>(79,931)</u>	<u>217</u>
Cash flows from non-capital financing activities:		
State grants received	1,703	0
Federal grants received	79,893	0
Net cash provided by non-capital financing activities	<u>81,596</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	111	0
Net increase in cash and cash equivalents	1,776	217
Cash and cash equivalents at beginning of year	<u>28,871</u>	<u>171</u>
Cash and cash equivalents at end of year	<u>\$ 30,647</u>	<u>388</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (95,250)	0
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	11,091	0
Depreciation	4,471	0
Increase in inventories	(1,003)	0
Decrease in accounts receivable	58	217
Decrease in accounts payable	(33)	0
Increase in salaries and benefits payable	290	0
Increase in net OPEB liability	466	0
Decrease in unearned revenue	(21)	0
Net cash used in operating activities	<u>\$ (79,931)</u>	<u>217</u>

During the year ended June 30, 2012, the District received Federal commodities valued at \$11,091.

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 194,820
Liabilities	0
Net Assets	
Restricted for scholarships	\$ 194,820

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 300
Interest income	5,330
Total additions	<u>5,630</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>3,500</u>
Change in net assets	2,130
Net assets beginning of year	<u>192,690</u>
Net assets end of year	<u>\$ 194,820</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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

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

Capital Assets -Capital assets, which include property, 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, 2012 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education 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, 2012 the District had no investments.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2012 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	218,141	244,004	462,145	0
Total capital assets not being depreciated	<u>221,855</u>	<u>244,004</u>	<u>462,145</u>	<u>3,714</u>
Capital assets being depreciated:				
Buildings	1,495,673	10,184	0	1,505,857
Land improvements	1,737,158	462,145	0	2,199,303
Machinery and equipment	658,277	257,605	5,948	909,934
Total capital assets being depreciated	<u>3,891,108</u>	<u>729,934</u>	<u>5,948</u>	<u>4,615,094</u>
Less accumulated depreciation for:				
Buildings	1,333,706	8,956	0	1,342,662
Land improvements	788,570	105,286	0	893,856
Machinery and equipment	590,653	78,936	3,570	666,019
Total accumulated depreciation	<u>2,712,929</u>	<u>193,178</u>	<u>3,570</u>	<u>2,902,537</u>
Total capital assets being depreciated, net	<u>1,178,179</u>	<u>536,756</u>	<u>2,378</u>	<u>1,712,557</u>
Governmental activities capital assets, net	<u>\$ 1,400,034</u>	<u>780,760</u>	<u>464,523</u>	<u>1,716,271</u>
Business type activities:				
Machinery and equipment	\$ 96,240	0	623	95,617
Less accumulated depreciation	71,125	4,471	623	74,973
Business type activities capital assets, net	<u>\$ 25,115</u>	<u>(4,471)</u>	<u>0</u>	<u>20,644</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 45,308
Other		10,526
Support services:		
Operation and maintenance of plant		2,707
Transportation		20,395
		<u>78,936</u>
Unallocated depreciation		<u>114,242</u>
Total governmental activities depreciation expense		<u>\$ 193,178</u>
Business type activities:		
Food services		<u>\$ 4,471</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 27,088	50,810	5,843	72,055	57,184
Net OPEB liability	28,112	19,426	0	47,538	0
Total	\$ 55,200	70,236	5,843	119,593	57,184
Business type activities:					
Net OPEB liability	\$ 678	494	0	1,172	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, 2012, totaled \$5,843.

(5) 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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$162,372, \$142,052, and \$136,241 respectively, equal to the required contributions for each year.

(6) 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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 21,526
Interest on net OPEB obligation	720
Adjustment to annual required contribution	(1,728)
Annual OPEB cost	<u>20,518</u>
Contributions made	(598)
Increase in net OPEB obligation	<u>19,920</u>
Net OPEB obligation beginning of year	28,790
Net OPEB obligation end of year	<u><u>\$ 48,710</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, 2012.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

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
2012	20,518	2.91%	48,710

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$152,439, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$152,439. The covered payroll (annual payroll of active employees covered by the plan) was \$1,640,999, and the ratio of the UAAL to covered payroll was 9.29%.

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%.

(7) 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, 2012 were \$297,327.

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.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$128,250 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2012 are comprised of the following projects:

<u>Project</u>	<u>Amount</u>
Gifted and talented programs	\$ 5,899
Home school assistance program	8,605
Teacher salary supplement	354
Limited english proficient	1,783
Returning dropouts and dropout prevention	44,411
Professional development	262
Model core curriculum	3,002
Statewide voluntary preschool	71,319
Total	<u>\$ 135,635</u>

(10) Deficit Accounts

The District had one account in the Activity Fund with a deficit balance of \$1,724 at June 30, 2012.

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, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,411,339	100,465	2,511,804	2,612,240	2,612,240	(100,436)
Intermediate sources	0	0	0	1,000	1,000	(1,000)
State sources	1,794,629	1,703	1,796,332	1,879,201	1,879,201	(82,869)
Federal sources	173,234	90,984	264,218	240,000	240,000	24,218
Total revenues	4,379,202	193,152	4,572,354	4,732,441	4,732,441	(160,087)
Expenditures/Expenses:						
Instruction	2,754,201	0	2,754,201	2,812,723	3,062,723	308,522
Support services	1,188,432	3,651	1,192,083	1,651,000	1,711,000	518,917
Non-instructional programs	530	191,953	192,483	267,319	267,319	74,836
Other expenditures	426,751	0	426,751	790,840	790,840	364,089
Total expenditures/expenses	4,369,914	195,604	4,565,518	5,521,882	5,831,882	1,266,364
Excess(deficiency) of revenues over(under) expenditures/expenses	9,288	(2,452)	6,836	(789,441)	(1,099,441)	1,106,277
Other financing sources, net	3,752	0	3,752	9,600	9,600	(5,848)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	13,040	(2,452)	10,588	(779,841)	(1,089,841)	1,100,429
Balance beginning of year	1,630,725	45,722	1,676,447	1,454,623	1,454,623	221,824
Balance end of year	\$ 1,643,765	43,270	1,687,035	674,782	364,782	1,322,253

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$310,000.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

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	\$ 168,182	\$ 168,182	0.00%	\$ 1,683,024	9.99%
2011	July 1, 2009	\$ 0	\$ 162,377	\$ 162,377	0.00%	\$ 1,605,643	10.11%
2012	July 1, 2009	\$ 0	\$ 152,439	\$ 152,439	0.00%	\$ 1,640,999	9.29%

See Note 6 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
 DISCRETE COMPONENT UNIT
 DECEMBER 31, 2012

	Booster Club
Assets	
Cash and pooled investments	\$ 40,021
Total Assets	\$ 40,021
 Total Liabilities	 \$ 0
 Net Assets	
Unrestricted net assets	40,021
Total Net Assets	\$ 40,021

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, 2012

	Booster Club
Revenue:	
Interest	\$ 16
Donations	44,560
Charges for service	59,293
Total support and revenue	103,869
Expenses:	
Other	85,056
Excess of revenue over expenses	18,813
Net assets beginning of year	21,208
Net assets end of year	\$ 40,021

SUPPLEMENTARY INFORMATION

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 85,851	77,407	163,258
Receivables:			
Property tax:			
Current year delinquent	1,179	0	1,179
Succeeding year	100,000	0	100,000
Accounts	0	415	415
Total assets	\$ 187,030	77,822	264,852
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 0	9,669	9,669
Deferred revenue:			
Succeeding year property tax	100,000	0	100,000
Total liabilities	100,000	9,669	109,669
Fund balances:			
Restricted			
Management levy purposes	87,030	0	87,030
Student activities	0	69,877	69,877
Unassigned	0	(1,724)	(1,724)
Total fund balances	87,030	68,153	155,183
Total liabilities and fund balances	\$ 187,030	77,822	264,852

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, 2012

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 79,979	0	79,979
Other	4,632	157,979	162,611
Total revenues	84,611	157,979	242,590
Expenditures:			
Current:			
Instruction:			
Other	0	157,358	157,358
Support services:			
Student	0	315	315
Instructional staff	5,843	0	5,843
Administration	3,229	600	3,829
Operation and maintenance of plant	38,634	3,388	42,022
Transportation	5,270	0	5,270
Total expenditures	52,976	161,661	214,637
Net change in fund balances	31,635	(3,682)	27,953
Fund balance beginning of year	55,395	71,835	127,230
Fund balance end of year	\$ 87,030	68,153	155,183

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services, and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 113,699	378,241	491,940
Receivables:			
Property tax:			
Current year delinquent	0	2,407	2,407
Succeeding year	0	201,974	201,974
Income surtax	0	57,064	57,064
Due from other governments	69,649	0	69,649
Total assets	\$ 183,348	639,686	823,034
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 0	3,680	3,680
Deferred revenue:			
Succeeding year property tax	0	201,974	201,974
Income surtax	0	57,064	57,064
Total liabilities	0	262,718	262,718
Fund balances:			
Restricted for:			
School infrastructure	183,348	0	183,348
Physical plant and equipment	0	376,968	376,968
Total fund balances	183,348	376,968	560,316
Total liabilities and fund balances	\$ 183,348	639,686	823,034

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, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 265,164	219,999	485,163
Other	2,171	2,000	4,171
Federal sources	0	11,098	11,098
Total revenues	<u>267,335</u>	<u>233,097</u>	<u>500,432</u>
Expenditures:			
Current:			
Instruction:			
Regular	246,510	0	246,510
Support services:			
Student	0	1,983	1,983
Instructional staff	57,783	508	58,291
Administration	0	11,166	11,166
Operation and maintenance of plant	0	22,174	22,174
Non-instructional programs			
Food service	0	530	530
Capital outlay	241,952	56,549	298,501
Total expenditures	<u>546,245</u>	<u>92,910</u>	<u>639,155</u>
Net change in fund balances	(278,910)	140,187	(138,723)
Fund balance beginning of year	462,258	236,781	699,039
Fund balance end of year	<u>\$ 183,348</u>	<u>376,968</u>	<u>560,316</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, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Annual	\$ 318	3,458	5,500	(1,724)
After Prom	1,533	6,800	8,333	0
Athletics	52,933	52,590	59,738	45,785
Band	140	260	335	65
Cheerleading Basketball	229	0	0	229
Cheerleading Football	930	3,998	3,846	1,082
Class of 2011	51	0	51	0
Class of 2012	492	21,670	22,162	0
Class of 2013	1,198	17,080	10,852	7,426
Class of 2014	0	6,304	4,964	1,340
Drama/SP	2,080	722	961	1,841
FFA	9,234	34,401	35,323	8,312
Music Boosters	1,301	3,633	3,071	1,863
National Honor Society	1,331	2,460	2,403	1,388
Vocal	65	250	258	57
DPT	0	2,338	2,338	0
Purch Serv - SC	0	1,649	1,160	489
Interest	0	366	366	0
Total	\$ 71,835	157,979	161,661	68,153

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 NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 2,092,937	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	60,915	93,936	73,490	131,410	142,179	111,963	101,970	98,993	93,516
Other	257,487	403,765	258,679	287,722	268,126	244,358	224,042	213,518	242,979
Intermediate sources	0	1,650	1,199	118	483	3,868	980	156	137
State sources	1,794,629	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	173,234	218,112	385,337	132,710	162,589	174,598	138,220	141,726	112,424
Total	<u>\$ 4,379,202</u>	<u>4,413,941</u>	<u>3,957,492</u>	<u>4,082,571</u>	<u>3,980,470</u>	<u>3,617,740</u>	<u>3,319,767</u>	<u>3,246,481</u>	<u>3,158,376</u>
Expenditures:									
Current:									
Instruction:									
Regular	\$ 1,747,833	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	462,923	425,667	411,139	434,428	408,137	358,292	305,131	303,304	320,905
Other	543,445	524,595	627,343	502,549	489,381	438,391	426,870	403,458	328,684
Support services:									
Student	44,604	35,503	17,035	13,891	13,779	11,325	10,150	32,459	53,200
Instructional staff	214,291	276,695	152,694	161,072	154,117	175,322	110,732	86,793	74,319
Administration	388,277	348,448	350,408	354,886	318,809	322,818	412,406	374,093	371,583
Operation and maintenance of plant	333,882	360,262	369,770	374,175	343,068	309,887	277,026	316,897	292,847
Transportation	207,378	222,107	201,475	197,514	218,891	317,121	161,655	186,545	274,015
Non-instructional programs									
Food service	530	0	0	0	0	0	0	0	0
Capital outlay	298,501	251,076	87,770	405,651	12,140	37,740	30,594	8,881	36,516
Long-term debt:									
Principal	0	45,000	112,070	145,898	140,928	136,147	173,362	167,295	123,344
Interest	0	1,856	6,936	13,343	20,487	27,291	35,561	43,524	46,291
Other expenditures:									
AEA flow-through	128,250	142,037	135,600	128,249	118,199	104,983	101,252	101,744	102,656
Total	<u>\$ 4,369,914</u>	<u>4,015,663</u>	<u>3,990,846</u>	<u>4,176,833</u>	<u>3,621,853</u>	<u>3,454,507</u>	<u>3,188,316</u>	<u>3,202,721</u>	<u>3,225,882</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Adair-Casey Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 21, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Adair-Casey Community School District is responsible for establishing and maintaining effective 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-12 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-12 to be a significant deficiency.

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

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, 2013

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-12 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-12 Privately Sponsored Camps - We noted during our audit that privately sponsored camps were being held on District grounds. There were no contracts between camp facilitators and the District addressing facility and equipment use, rental fees, insurance and other costs of conducting the camp. The following are guidelines provided by the Iowa Department of Education in a September 9, 2011 information release and a Question and Answer on the State of Iowa Auditor's website regarding the operation of privately sponsored camps on District grounds:

- If the District's facilities or equipment will be used, the District has to charge for rent of the District's coach/sponsor if that coach/sponsor is part of the privately sponsored camp staff.
- The camp facilitator would need to pay the District rental of facilities and equipment pursuant to Chapters 297.9 and 297.10 of the Code of Iowa.
- The camp facilitator would have to provide a certificate of insurance liability to the District before the camp could be held on the District's grounds.
- All accounting for the camp could not be performed by the District's accounting staff.
- All advertisements and other publication materials need to clearly identify that the camp is privately sponsored using the Districts facilities.
- No District funds can be used to pay for any fees associated with students of the District attending the camp.

Recommendation - The District should contact camp facilitators and discuss the guidelines to be followed if the camps are to be continued to be privately sponsored. Contracts should be developed with camp facilitators detailing facility and equipment use, rental fees, insurance and other costs of conducting the camp.

Response - The District will contact camp facilitators and discuss the guidelines to be followed for privately sponsored camps. Contracts will be developed with camp facilitators detailing facility and equipment use, rental fees, insurance and other costs of conducting the camp.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting

II-A-12 Certified Budget - District expenditures for the year ended June 30, 2012, did not exceed the amount budgeted.

II-B-12 Questionable Disbursements - We noted during our audit instances of gift cards given to students for after prom prizes. Giving cash or 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 with public funds.

Conclusion - Response accepted.

II-C-12 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-12 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	\$1,970
Jim Zimmerline, Board Member Owner of Jim's Lawn Care	Lawn Care Services	\$16,828
Owner Zipp's Pizzeria	Purchased Services	\$650

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 not appear to represent a conflict of interest, as the District received bids for the lawn care services.

II-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-12 Supplementary Weighting - We noted a variance regarding the supplementary weighting certified to the Iowa Department of Education. Supplementary weighting was overstated by 0.18 students.

Recommendation - The Iowa Department of Education and Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

II-I-12 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-12 Categorical Funding - We noted no instances of categorical funding being used to supplant rather than supplement other funds.

II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	462,258
Revenues:			
Sales tax revenues	\$	265,164	
Other local revenues		<u>2,171</u>	<u>267,335</u>
			729,593
Expenditures:			
School infrastructure construction		241,952	
Equipment		231,672	
Other		<u>72,621</u>	<u>546,245</u>
Ending balance		\$	<u><u>183,348</u></u>

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.

II-M-12 Financial Condition - During our audit we noted the District had an account in the Student Activity Fund with a deficit unassigned balance of \$1,724 at June 30, 2012.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts.

Response - The District will review purchase approval procedures for the Student Activity Fund and may require additional approval before ordering goods and services from these accounts.

Conclusion - Response accepted.