

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Adair-Casey Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
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
<b>School Officials</b>		
Steve Smith	Superintendent	2013
Theresa Elgin	District Secretary/ Treasurer	2013
Rick Engel	Attorney	2013

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:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Adair-Casey Community School District, Adair, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above 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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan and the combining 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 financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 eight years ended June 30, 2012 (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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2014 on our consideration of Adair-Casey Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Adair-Casey Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2014  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$3,639,932 in fiscal 2012 to \$3,581,388 in fiscal 2013, while General Fund expenditures decreased from \$3,516,122 in fiscal 2012 to \$3,501,576 in fiscal 2013. The net result was an increase in the District's General Fund balance from \$928,266 in fiscal 2012 to a balance of \$1,008,078 in fiscal 2013, an 8.60% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local tax revenues received during fiscal year 2013. The decrease in General Fund expenditures was due primarily to a decrease in expenditures in the administrative support services functional area.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan and the financial statements for the discreetly presented component unit.

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.

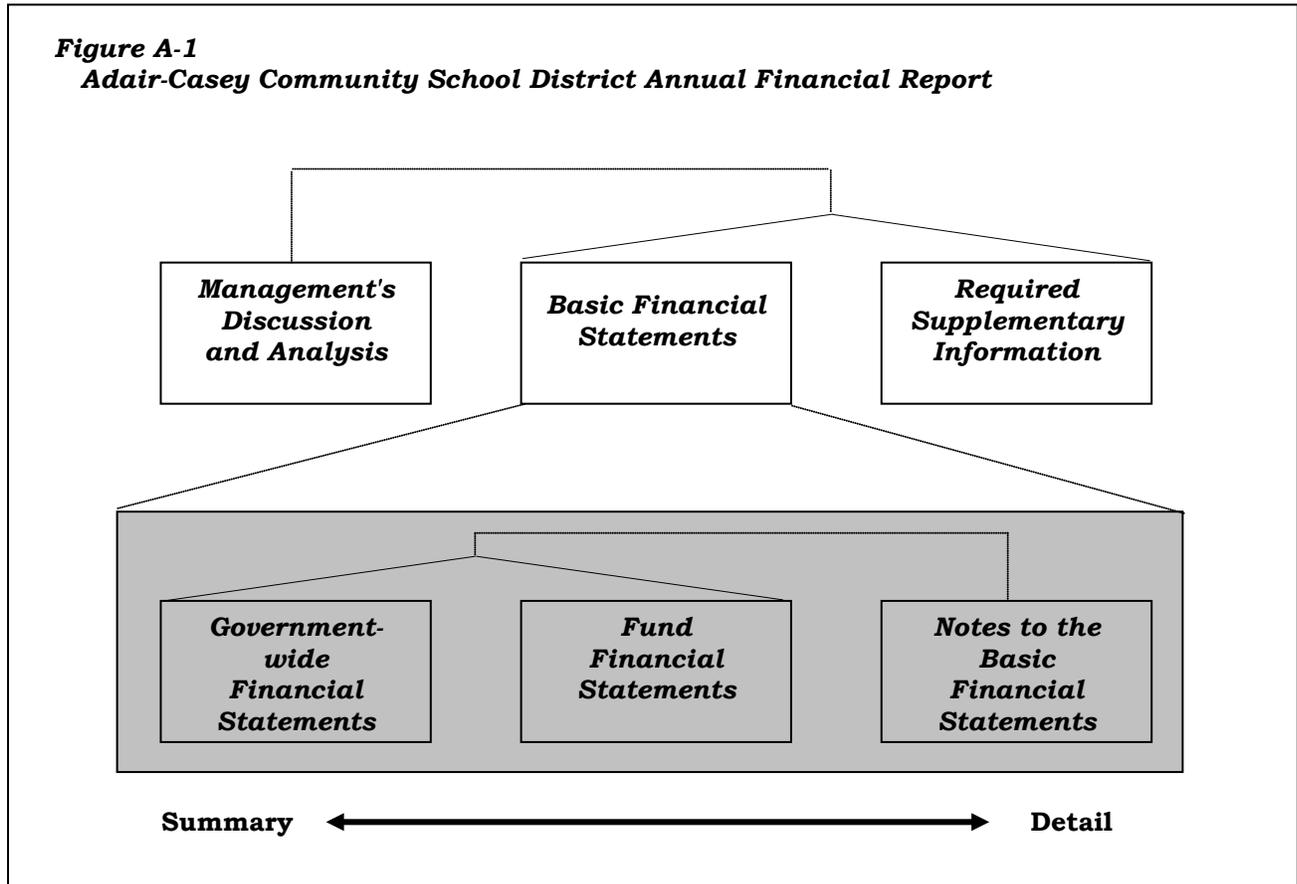


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	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
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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 Position and a Statement of Changes in Fiduciary Net Position.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 5,277,973	3,865,198	32,193	34,791	5,310,166	3,899,989	36.16%
Capital assets	1,824,759	1,716,271	17,155	20,644	1,841,914	1,736,915	6.05%
Total assets	<u>7,102,732</u>	<u>5,581,469</u>	<u>49,348</u>	<u>55,435</u>	<u>7,152,080</u>	<u>5,636,904</u>	<u>26.88%</u>
Long-term obligations	1,157,150	119,593	1,813	1,144	1,158,963	120,737	859.91%
Other liabilities	2,210,803	2,107,305	14,507	11,021	2,225,310	2,118,326	5.05%
Total liabilities	<u>3,367,953</u>	<u>2,226,898</u>	<u>16,320</u>	<u>12,165</u>	<u>3,384,273</u>	<u>2,239,063</u>	<u>51.15%</u>
Net position:							
Invested in capital assets, net of related debt	1,680,016	1,716,271	17,155	20,644	1,697,171	1,736,915	-2.29%
Restricted	1,101,987	780,803	0	0	1,101,987	780,803	41.14%
Unrestricted	952,776	857,497	15,873	22,626	968,649	880,123	10.06%
Total net position	<u>\$ 3,734,779</u>	<u>3,354,571</u>	<u>33,028</u>	<u>43,270</u>	<u>3,767,807</u>	<u>3,397,841</u>	<u>10.89%</u>

The District’s combined net position increased by 10.89%, or \$369,966 over the prior year. The largest portion of the District’s net position 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 position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position increased \$321,184, or 41.14% over the prior year. The increase in restricted net position was primarily due to the increase in the Capital Projects Fund balance.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$88,526, or 10.06%.

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

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues & Transfers:							
Program revenues:							
Charges for service	\$ 271,796	209,254	92,961	100,354	364,757	309,608	17.81%
Operating grants, contributions and restricted interest	374,535	342,506	92,917	92,687	467,452	435,193	7.41%
Capital grants, contributions and restricted interest	56,498	11,098	0	0	56,498	11,098	409.08%
General revenues:							
Property tax	1,715,563	1,712,657	0	0	1,715,563	1,712,657	0.17%
Income surtax	131,878	111,970	0	0	131,878	111,970	17.78%
Statewide sales, services and use tax	315,893	265,164	0	0	315,893	265,164	19.13%
Nonspecific program federal grants	0	34,757	0	0	0	34,757	-100.00%
Unrestricted state grants	1,576,885	1,617,388	0	0	1,576,885	1,617,388	-2.50%
Unrestricted investment earnings	7,247	11,422	68	111	7,315	11,533	-36.57%
Other	46,123	59,840	3,029	0	49,152	59,840	-17.86%
Transfers	(1,799)	0	1,799	0	0	0	0.00%
Total revenues & transfers	<u>4,494,619</u>	<u>4,376,056</u>	<u>190,774</u>	<u>193,152</u>	<u>4,685,393</u>	<u>4,569,208</u>	<u>2.54%</u>
Program expenses:							
Instruction	2,699,731	2,611,204	0	0	2,699,731	2,611,204	3.39%
Support services	1,149,124	1,260,092	2,363	3,651	1,151,487	1,263,743	-8.88%
Non-instructional programs	0	530	198,653	191,953	198,653	192,483	3.21%
Other expenses	265,556	242,492	0	0	265,556	242,492	9.51%
Total expenses	<u>4,114,411</u>	<u>4,114,318</u>	<u>201,016</u>	<u>195,604</u>	<u>4,315,427</u>	<u>4,309,922</u>	<u>0.13%</u>
Change in net position	380,208	261,738	(10,242)	(2,452)	369,966	259,286	42.69%
Net position beginning of year	<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>
Net position end of year	<u>\$ 3,734,779</u>	<u>3,354,571</u>	<u>33,028</u>	<u>43,270</u>	<u>3,767,807</u>	<u>3,397,841</u>	<u>10.89%</u>

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 83.22% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest account for 97.43% of the revenue from business type activities.

The District's total revenues were \$4,685,393 of which \$4,494,619 was for governmental activities and \$190,774 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.54% increase in revenues and a 0.13% increase in expenses. The increase in expenses was primarily related to increases in negotiated salaries and benefits.

## Governmental Activities

Revenues for governmental activities were \$4,494,619 and expenses were \$4,114,411.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 2,699,731	2,611,204	3.39%	2,211,841	2,196,316	0.71%
Support services	1,149,124	1,260,092	-8.81%	1,064,318	1,240,372	-14.19%
Non-instructional	0	530	-100.00%	0	530	-100.00%
Other expenses	265,556	242,492	9.51%	135,423	114,242	18.54%
<b>Totals</b>	<b>\$ 4,114,411</b>	<b>4,114,318</b>	<b>0.00%</b>	<b>3,411,582</b>	<b>3,551,460</b>	<b>-3.94%</b>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$271,796.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$431,033.
- The net cost of governmental activities was financed with \$1,715,563 in property tax, \$131,878 in income surtax, \$315,893 in statewide sales, services and use tax, \$1,576,885 in unrestricted state grants, \$7,247 in interest income and \$46,123 in other general revenues.

## Business type Activities

Revenues of the District's business type activities were \$190,774 and expenses were \$201,016. 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, investment income, other general revenue and capital contributions.

## 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 \$2,953,112, above last year's ending fund balance of \$1,643,765. The increase in combined fund balance in fiscal 2013 is attributable to the increase in the Capital Projects: Statewide Sales, Services, and Use Tax Fund.

## Governmental Fund Highlights

- The District's General Fund balance increased from \$928,266 on June 30, 2012 to \$1,008,078 on June 30, 2013. The increase in the District's General Fund financial position is the product of many factors. A decrease in local tax revenues during the year resulted in a decrease in total revenues. Expenditures in the other instruction functional area increased compared to the prior year.

- The Capital Projects fund balance increased from \$560,316 in 2012 to \$1,798,030 in 2013. The Capital Projects: Statewide Sales, Services, and Use Tax Fund balance increased 634.43% from the prior year, with a June 30, 2013 balance of \$1,346,569. This increase was the result of revenue bonds issued during the year. The Capital Projects: Physical Plant and Equipment Levy Fund balance increased 19.76% from the prior year, with a June 30, 2013 balance of \$451,461.

### Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$43,270 at June 30, 2012 to \$33,028 at June 30, 2013, representing a decrease of 23.67%.

### BUDGETARY HIGHLIGHTS

The District's revenues were \$27,464 more than budgeted revenues, a variance of 0.59%. The most significant variance resulted from the District receiving more 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.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2013, the District had invested \$1,841,914, 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 6.05% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$236,062.

The original cost of the District's capital assets was \$4,979,571. Governmental funds account for \$4,882,443 with the remainder of \$97,128 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2012, compared to \$144,743 reported at June 30, 2013. The increase was the result of various construction projects started, but not completed at the end of the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 3,714	3,714	0	0	3,714	3,714	0.00%
Construction in progress	144,743	0	0	0	144,743	0	100.00%
Buildings	154,239	163,195	0	0	1,266,745	1,305,447	-2.96%
Land improvements	1,266,745	1,305,447	0	0	154,239	163,195	-5.49%
Furniture and equipment	255,318	243,915	17,155	20,644	272,473	264,559	2.99%
Total	\$ 1,824,759	1,716,271	17,155	20,644	1,841,914	1,736,915	6.05%

## Long-Term Debt

At June 30, 2013, the District had \$1,158,963 in long-term debt outstanding. This represents an increase of 859.68% 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 \$1,022,000 of outstanding revenue bonds at June 30, 2013. These are payable from the Capital Projects: Statewide Sales, Services, and Use Tax Fund.

The District had termination benefits payable of \$67,774 at June 30, 2013, payable from the Special Revenue, Management Levy Fund.

The District has a Net OPEB liability of \$69,189, consisting of \$67,376 in the governmental activities and \$1,813 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,	
	2013	2012	2013	2012	2013	2012	2012-13	
Revenue bonds	\$ 1,022,000	0	0	0	1,022,000	0	100.00%	
Termination benefits	67,774	72,055	0	0	67,774	72,055	-5.94%	
Net OPEB liability	67,376	47,538	1,813	1,172	69,189	48,710	42.04%	
Totals	\$ 1,157,150	119,593	1,813	1,172	1,158,963	120,765	859.68%	

## 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:

- With a significant decline in enrollment in October 2013, the District will continue to implement cost saving measures and look for increased sharing opportunities as they arise.
- The Board has enlisted the assistance of an independent facilitator to assist with strategic and long range planning.

## 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 POSITION  
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Booster Club
<b>Assets</b>				
Cash and pooled investments	\$ 3,258,465	29,196	3,287,661	40,021
Receivables:				
Property tax:				
Delinquent	17,530	0	17,530	0
Succeeding year	1,741,745	0	1,741,745	0
Income surtax	114,796	0	114,796	0
Accounts	2,728	0	2,728	0
Due from other governments	142,709	0	142,709	0
Inventories	0	2,997	2,997	0
Capital assets, net of accumulated depreciation	1,824,759	17,155	1,841,914	0
<b>Total assets</b>	<b>7,102,732</b>	<b>49,348</b>	<b>7,152,080</b>	<b>40,021</b>
<b>Liabilities</b>				
Accounts payable	151,929	1,455	153,384	0
Salaries and benefits payable	316,391	11,129	327,520	0
Accrued interest payable	738	0	738	0
Deferred revenue:				
Succeeding year property tax	1,741,745	0	1,741,745	0
Unearned revenue	0	1,923	1,923	0
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	74,000	0	74,000	0
Termination benefits payable	47,176	0	47,176	0
Portion due after one year:				
Revenue bonds payable	948,000	0	948,000	0
Termination benefits payable	20,598	0	20,598	0
Net OPEB liability	67,376	1,813	69,189	0
<b>Total liabilities</b>	<b>3,367,953</b>	<b>16,320</b>	<b>3,384,273</b>	<b>0</b>
<b>Net Position</b>				
Invested in capital assets, net of related debt	1,680,016	17,155	1,697,171	0
Restricted for:				
Categorical funding	101,984	0	101,984	0
Management levy purposes	14,418	0	14,418	0
Student activities	64,812	0	64,812	0
School infrastructure	469,312	0	469,312	0
Physical plant and equipment levy	451,461	0	451,461	0
Unassigned	952,776	15,873	968,649	40,021
<b>Total net position</b>	<b>\$ 3,734,779</b>	<b>33,028</b>	<b>3,767,807</b>	<b>40,021</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Booster Club
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Total	
					Governmental Activities	Business Type Activities		
<b>Functions/Programs:</b>								
Governmental activities:								
Instruction:								
Regular	\$ 1,613,784	116,020	40,287	0	(1,457,477)	0	(1,457,477)	0
Special	473,676	5,746	18,567	0	(449,363)	0	(449,363)	0
Other	612,271	149,300	157,970	0	(305,001)	0	(305,001)	0
	<u>2,699,731</u>	<u>271,066</u>	<u>216,824</u>	<u>0</u>	<u>(2,211,841)</u>	<u>0</u>	<u>(2,211,841)</u>	<u>0</u>
Support services:								
Student	44,939	0	0	0	(44,939)	0	(44,939)	0
Instructional staff	146,511	0	27,578	0	(118,933)	0	(118,933)	0
Administration	321,146	0	0	0	(321,146)	0	(321,146)	0
Operation and maintenance of plant	368,193	0	0	56,498	(311,695)	0	(311,695)	0
Transportation	268,335	730	0	0	(267,605)	0	(267,605)	0
	<u>1,149,124</u>	<u>730</u>	<u>27,578</u>	<u>56,498</u>	<u>(1,064,318)</u>	<u>0</u>	<u>(1,064,318)</u>	<u>0</u>
Other expenditures:								
AEA flowthrough	130,133	0	130,133	0	0	0	0	0
Depreciation(unallocated)*	135,423	0	0	0	(135,423)	0	(135,423)	0
	<u>265,556</u>	<u>0</u>	<u>130,133</u>	<u>0</u>	<u>(135,423)</u>	<u>0</u>	<u>(135,423)</u>	<u>0</u>
Total governmental activities	<u>4,114,411</u>	<u>271,796</u>	<u>374,535</u>	<u>56,498</u>	<u>(3,411,582)</u>	<u>0</u>	<u>(3,411,582)</u>	<u>0</u>
Business type activities:								
Support services:								
Administration	53	0	0	0	0	(53)	(53)	0
Operation and maintenance of plant	2,310	0	0	0	0	(2,310)	(2,310)	0
	<u>2,363</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,363)</u>	<u>(2,363)</u>	<u>0</u>
Non-instructional programs:								
Food service operations	198,653	92,961	92,917	0	0	(12,775)	(12,775)	0
Total business type activities	<u>201,016</u>	<u>92,961</u>	<u>92,917</u>	<u>0</u>	<u>0</u>	<u>(15,138)</u>	<u>(15,138)</u>	<u>0</u>
Total primary government	<u>\$ 4,315,427</u>	<u>364,757</u>	<u>467,452</u>	<u>56,498</u>	<u>(3,411,582)</u>	<u>(15,138)</u>	<u>(3,426,720)</u>	<u>0</u>
Total component unit	<u>\$ 85,056</u>	<u>59,293</u>	<u>44,560</u>	<u>0</u>				<u>18,797</u>
<b>General Revenues and Transfers:</b>								
Local tax for:								
General purposes				\$ 1,513,671	0	1,513,671	0	0
Capital outlay				201,892	0	201,892	0	0
Income surtax				131,878	0	131,878	0	0
Statewide sales, services and use tax				315,893	0	315,893	0	0
Unrestricted state grants				1,576,885	0	1,576,885	0	0
Unrestricted investment earnings				7,247	68	7,315	16	16
Other				46,123	3,029	49,152	0	0
Transfers				(1,799)	1,799	0	0	0
Total general revenues and transfers				<u>3,791,790</u>	<u>4,896</u>	<u>3,796,686</u>	<u>16</u>	<u>16</u>
Change in net position				380,208	(10,242)	369,966	18,813	18,813
Net position beginning of year				3,354,571	43,270	3,397,841	21,208	21,208
Net position end of year				<u>\$ 3,734,779</u>	<u>33,028</u>	<u>3,767,807</u>	<u>40,021</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, 2013

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 1,373,045	1,733,564	151,135	3,257,744
Receivables:				
Property tax:				
Delinquent	14,689	1,802	1,039	17,530
Succeeding year	1,420,475	221,271	99,999	1,741,745
Income surtax	57,398	57,398	0	114,796
Accounts	1,654	0	1,074	2,728
Due from other governments	67,384	75,325	0	142,709
<b>Total assets</b>	<b>\$ 2,934,645</b>	<b>2,089,360</b>	<b>253,247</b>	<b>5,277,252</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 132,303	12,661	6,244	151,208
Salaries and benefits payable	316,391	0	0	316,391
Deferred revenue:				
Succeeding year property tax	1,420,475	221,271	99,999	1,741,745
Income surtax	57,398	57,398	0	114,796
<b>Total liabilities</b>	<b>1,926,567</b>	<b>291,330</b>	<b>106,243</b>	<b>2,324,140</b>
Fund balances:				
Restricted for:				
Categorical funding	101,984	0	0	101,984
Management levy purposes	0	0	82,192	82,192
Student activities	0	0	64,812	64,812
School infrastructure	0	1,346,569	0	1,346,569
Physical plant and equipment levy	0	451,461	0	451,461
Unassigned	906,094	0	0	906,094
<b>Total fund balances</b>	<b>1,008,078</b>	<b>1,798,030</b>	<b>147,004</b>	<b>2,953,112</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,934,645</b>	<b>2,089,360</b>	<b>253,247</b>	<b>5,277,252</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds(page 20)</b>	\$	2,953,112
 <b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		1,824,759
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		114,796
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(738)
Long-term liabilities, including revenue bonds payable, termination benefits, 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>(1,157,150)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u>3,734,779</u></b>

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, 2013

	Capital			Total
	General	Projects	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 1,479,325	583,390	99,951	2,162,666
Tuition	69,585	0	0	69,585
Other	126,773	59,270	175,385	361,428
State sources	1,756,068	0	0	1,756,068
Federal sources	146,003	0	0	146,003
Total revenues	<u>3,577,754</u>	<u>642,660</u>	<u>275,336</u>	<u>4,495,750</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,509,056	11,799	50,810	1,571,665
Special	466,861	0	0	466,861
Other	423,889	0	168,792	592,681
	<u>2,399,806</u>	<u>11,799</u>	<u>219,602</u>	<u>2,631,207</u>
Support services:				
Student	44,266	0	315	44,581
Instructional staff	138,019	0	6,390	144,409
Administration	292,039	24,837	4,996	321,872
Operation and maintenance of plant	273,960	9,541	46,581	330,082
Transportation	223,353	108,131	5,631	337,115
	<u>971,637</u>	<u>142,509</u>	<u>63,913</u>	<u>1,178,059</u>
Capital outlay	0	272,638	0	272,638
Other expenditures:				
AEA flowthrough	130,133	0	0	130,133
Total expenditures	<u>3,501,576</u>	<u>426,946</u>	<u>283,515</u>	<u>4,212,037</u>
Excess(Deficiency) of revenues over(under) expenditures	76,178	215,714	(8,179)	283,713
Other financing sources:				
Revenue bond issuance	0	1,022,000	0	1,022,000
Proceeds from disposal of assets	3,634	0	0	3,634
Total other financing sources	<u>3,634</u>	<u>1,022,000</u>	<u>0</u>	<u>1,025,634</u>
Change in fund balances	79,812	1,237,714	(8,179)	1,309,347
Fund balances beginning of year	<u>928,266</u>	<u>560,316</u>	<u>155,183</u>	<u>1,643,765</u>
Fund balances end of year	<u>\$ 1,008,078</u>	<u>1,798,030</u>	<u>147,004</u>	<u>2,953,112</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, 2013

<b>Change in fund balances - total governmental funds(page 22)</b>		<b>\$ 1,309,347</b>
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>Capital outlay 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 outlay and depreciation expense during the year are as follows:</p>		
Capital outlay	\$ 338,304	
Depreciation expense	(229,816)	108,488
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.		(1,022,000)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(738)
Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		668
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.		
Termination benefits	4,281	
Net OPEB liability	(19,838)	(15,557)
<b>Change in net position of governmental activities(page 19)</b>		<b>\$ 380,208</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
<b>Assets</b>		
Cash and pooled investments	\$ 29,196	721
Inventories	2,997	0
Capital assets, net of accumulated depreciation	17,155	0
<b>Total assets</b>	<b>49,348</b>	<b>721</b>
<b>Liabilities</b>		
Accounts payable	1,455	721
Salaries and benefits payable	11,129	0
Unearned revenue	1,923	0
Net OPEB liability	1,813	0
<b>Total liabilities</b>	<b>16,320</b>	<b>721</b>
<b>Net Position</b>		
Invested in capital assets	17,155	0
Unrestricted	15,873	0
<b>Total net position</b>	<b>\$ 33,028</b>	<b>0</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 92,961	0
Miscellaneous	3,029	13,000
Total operating revenues	<u>95,990</u>	<u>13,000</u>
Operating expenses:		
Support services:		
Administration:		
Services	53	13,000
Operation and maintenance of plant:		
Services	2,310	0
	<u>2,363</u>	<u>13,000</u>
Non-instructional programs:		
Food service operations:		
Salaries	68,384	0
Benefits	18,330	0
Supplies	104,819	0
Depreciation	6,246	0
Other	314	0
	<u>198,093</u>	<u>0</u>
Total operating expenses	<u>200,456</u>	<u>13,000</u>
Operating loss	<u>(104,466)</u>	<u>0</u>
Non-operating revenues(expenses):		
Loss on disposal of assets	(560)	
State sources	1,463	0
Federal sources	91,454	0
Interest income	68	0
Total non-operating revenues(expenses)	<u>92,425</u>	<u>0</u>
Change in net position before capital contributions	(12,041)	0
Capital contributions	<u>1,799</u>	<u>0</u>
Change in net position	(10,242)	0
Net position beginning of year	<u>43,270</u>	<u>0</u>
Net position end of year	<u>\$ 33,028</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	Business Type	
	Enterprise Fund	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 93,048	0
Cash received from miscellaneous	3,029	13,000
Cash payments to employees for services	(84,045)	0
Cash payments to suppliers for goods or services	(95,271)	(12,667)
Net cash provided by(used in) operating activities	<u>(83,239)</u>	<u>333</u>
Cash flows from non-capital financing activities:		
State grants received	1,463	0
Federal grants received	81,775	0
Net cash provided by non-capital financing activities	<u>83,238</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	68	0
Cash flows from capital financing activities:		
Purchase of assets	(1,518)	0
Net increase(decrease) in cash and cash equivalents	(1,451)	333
Cash and cash equivalents beginning of year	30,647	388
Cash and cash equivalents end of year	<u>\$ 29,196</u>	<u>721</u>
Reconciliation of operating loss to net cash provided by(used in) operating activities:		
Operating loss	\$ (104,466)	0
Adjustments to reconcile operating loss to net cash provided by(used in) operating activities:		
Commodities consumed	9,679	0
Depreciation	6,246	0
Decrease in inventories	1,117	0
Decrease in accounts receivable	30	333
Increase in accounts payable	1,429	0
Increase in salaries and benefits payable	2,000	0
Increase in net OPEB liability	669	0
Increase in unearned revenue	57	0
Net cash provided by(used in) operating activities	<u>\$ (83,239)</u>	<u>333</u>

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received \$9,679 of federal commodities.

During the year ended June 30, 2013, the District received \$1,799 of capital contributions from the General Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 JUNE 30, 2013

	Private Purpose Trust Scholarship
<b>Assets</b>	
Cash and pooled investments	\$ 197,742
<b>Liabilities</b>	0
<b>Net Position</b>	
Restricted for scholarships	\$ 197,742

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 2,000
Interest income	5,372
Total additions	<u>7,372</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>4,450</u>
Change in net position	2,922
Net position beginning of year	<u>194,820</u>
Net position end of year	<u>\$ 197,742</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(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 Position (formerly referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is 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 position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has 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 Position and the Statement of Activities.

The District also reports a fiduciary fund which focuses on net position and changes in net position. 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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture 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
Furniture 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 Position 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 Position 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 Position.

Fund Balances - 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.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position 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. Budgets and Budgetary Accounting**

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

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2013 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education 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, 2013 the District had no investments.

**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,714	0	0	3,714
Construction in progress	0	144,743	0	144,743
Total capital assets not being depreciated	<u>3,714</u>	<u>144,743</u>	<u>0</u>	<u>148,457</u>
Capital assets being depreciated:				
Buildings	1,505,857	0	0	1,505,857
Land improvements	2,199,303	87,765	19,478	2,267,590
Furniture and equipment	909,934	105,796	55,191	960,539
Total capital assets being depreciated	<u>4,615,094</u>	<u>193,561</u>	<u>74,669</u>	<u>4,733,986</u>
Less accumulated depreciation for:				
Buildings	1,342,662	8,956	0	1,351,618
Land improvements	893,856	126,467	19,478	1,000,845
Furniture and equipment	666,019	94,393	55,191	705,221
Total accumulated depreciation	<u>2,902,537</u>	<u>229,816</u>	<u>74,669</u>	<u>3,057,684</u>
Total capital assets being depreciated, net	<u>1,712,557</u>	<u>(36,255)</u>	<u>0</u>	<u>1,676,302</u>
Governmental activities capital assets, net	<u>\$ 1,716,271</u>	<u>108,488</u>	<u>0</u>	<u>1,824,759</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 95,617	3,317	1,806	97,128
Less accumulated depreciation	74,973	6,246	1,246	79,973
Business type activities capital assets, net	\$ 20,644	(2,929)	560	17,155

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular		\$	45,312
Other			10,526
Support services:			
Operation and maintenance of plant			2,707
Transportation			35,848
			<u>94,393</u>
Unallocated depreciation			<u>135,423</u>
Total governmental activities depreciation expense		\$	<u>229,816</u>
Business type activities:			
Food service operations		\$	<u>6,246</u>

#### (4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 0	1,022,000	0	1,022,000	74,000
Termination benefits	72,055	55,046	59,327	67,774	47,176
Net OPEB liability	47,538	19,838	0	67,376	0
Total	\$ 119,593	1,096,884	59,327	1,157,150	121,176
Business type activities:					
Net OPEB liability	\$ 1,172	641	0	1,813	0

#### Revenue Bonds

Details of the District's June 30, 2013 Capital Projects: Statewide Sales, Services and Use Tax Fund revenue bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 18, 2013			
	Interest Rate	Principal	Interest	Total
2014	2.20 %	\$ 74,000	\$ 23,296	\$ 97,296
2015	2.20	96,000	20,856	116,856
2016	2.20	99,000	18,744	117,744
2017	2.20	101,000	16,566	117,566
2018	2.20	103,000	14,344	117,344
2019-2023	2.20	549,000	36,784	585,784
		<u>\$ 1,022,000</u>	<u>130,590</u>	<u>1,152,590</u>

The District has pledged future statewide sales, services, and use tax revenues to repay \$1,022,000 of bonds issued in June 2013. The bonds were issued for the purpose of financing a portion of the cost of repairs, additions, and improvements to District buildings. The bonds are payable solely from the proceeds of the statewide sales, services, and use tax revenues received by the District and are payable through 2023. This bond issue has no reserve fund requirements. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 31% of the statewide sales, services, and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,152,590. For the current year, no principal or interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$315,893.

#### Termination Benefits (Early Retirement)

The District offered a voluntary termination benefit plan to its certified employees. Eligible employees must have been at least age fifty-five and employees must have completed fifteen years of service to the District. Employees submitted applications which required approval by the Board of Education. The termination benefit incentive for employees was based on the employee's salary schedule in effect the last year of the employee's employment with the District, with employees receiving 50% of the current year's salary less supplemental and extended contract pay. Upon retirement, employees are eligible to continue participation in the District's insurance plan, at the employee's expense. Termination benefits paid during the year ended June 30, 2013, totaled \$59,327. A liability has been recorded in the Statement of Net Position representing the District's commitment to fund non-current termination benefits.

#### **(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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$175,692, \$162,372, and \$142,052 respectively, equal to the required contributions for each year.

#### **(6) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 39 active and 2 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 25,616
Interest on net OPEB obligation	1,217
Adjustment to annual required contribution	(3,103)
Annual OPEB cost	<u>23,730</u>
Contributions made	<u>(3,251)</u>
Increase in net OPEB obligation	20,479
Net OPEB obligation beginning of year	48,710
Net OPEB obligation end of year	<u><u>\$ 69,189</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, 2013.

For the year ended June 30, 2013, the District contributed \$3,251 to the medical plan.

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
2011	\$ 18,332	18.58 %	\$ 28,790
2012	20,518	2.91	48,710
2013	23,730	13.70	69,189

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$198,224 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$198,224. The covered payroll (annual payroll of active employees covered by the plan) was \$1,562,978, and the ratio of the UAAL to covered payroll was 12.68%.

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, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender specific basis.

Projected claim costs of the medical plan are as follows:

Plan/Deductable	Monthly Premium	
	Single	Family
Alliance Select 500/1000	\$ 664	1,660
Alliance Select 1000/2000	590	1,475
Blue Choice 1000/2000	531	1,328

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(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, 2013 were \$311,054.

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 \$130,133 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Categorical Funding**

The District's ending restricted balances for categorical funding as of June 30, 2013 are comprised of the following programs:

Program	Amount
Home school assistance program	\$ 13,783
Teacher salary supplement	582
Limited english proficient	1,783
Returning dropouts and dropout prevention	10,823
Model core curriculum	6,693
Four year old preschool state aid	68,320
Total	<u>\$ 101,984</u>

**(10) Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position are as follows:

	Invested in Capital Assets	School Infrastructure	Management Levy Purposes	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ 0	1,346,569	82,192	906,094
Capital assets, net of accumulated depreciation	1,824,759	0	0	0
Revenue bond capitalized indebtedness	(144,743)	(877,257)	0	0
Accrued interest payable	0	0	0	(738)
Income surtax receivable	0	0	0	114,796
Net OPEB liability	0	0	0	(67,376)
Termination benefits payable	0	0	(67,774)	0
Net position (Exhibit A)	<u>\$ 1,680,016</u>	<u>469,312</u>	<u>14,418</u>	<u>952,776</u>

**(11) Construction Commitment**

The District has entered into various contracts totaling \$1,384,499 for repairs, additions, and improvements to District buildings. As of June 30, 2013, costs of \$144,743 had been incurred against these contracts. The balance of \$1,239,756 remaining at June 30, 2013 will be paid as work on the projects progresses.

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 FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 2,593,679	96,058	2,689,737	2,558,930	2,558,930	130,807
Intermediate sources	0	0	0	1,000	1,000	(1,000)
State sources	1,756,068	1,463	1,757,531	1,874,331	1,874,331	(116,800)
Federal sources	146,003	91,454	237,457	223,000	223,000	14,457
Total revenues	4,495,750	188,975	4,684,725	4,657,261	4,657,261	27,464
Expenditures/Expenses:						
Instruction	2,631,207	0	2,631,207	2,777,000	2,777,000	145,793
Support services	1,178,059	2,363	1,180,422	1,347,500	1,347,500	167,078
Non-instructional programs	0	198,653	198,653	217,000	217,000	18,347
Other expenditures	402,771	0	402,771	627,609	627,609	224,838
Total expenditures/expenses	4,212,037	201,016	4,413,053	4,969,109	4,969,109	556,056
Excess(Deficiency) of revenues over(under) expenditures/expenses	283,713	(12,041)	271,672	(311,848)	(311,848)	583,520
Other financing sources, net	1,025,634	1,799	1,027,433	11,800	11,800	1,015,633
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,309,347	(10,242)	1,299,105	(300,048)	(300,048)	1,599,153
Balances beginning of year	1,643,765	43,270	1,687,035	1,268,418	1,268,418	418,617
Balances end of year	\$ 2,953,112	33,028	2,986,140	968,370	968,370	2,017,770

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

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

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

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

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2013

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 )	UAAAL 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%
2013	July 1, 2012	\$ 0	\$ 198,224	\$ 198,224	0.00%	\$ 1,562,978	12.68%

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 POSITION - CASH BASIS  
 DISCRETE COMPONENT UNIT  
 DECEMBER 31, 2012

	Booster Club
<b>Assets</b>	
Cash and pooled investments	\$ 40,021
<b>Liabilities</b>	0
<b>Net Position</b>	
Unrestricted net position	\$ 40,021

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES AND EXPENSES  
 AND CHANGES IN NET POSITION - 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
Change in net position	18,813
Net position beginning of year	21,208
Net position end of year	\$ 40,021

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 81,153	69,982	151,135
Receivables:			
Property tax:			
Delinquent	1,039	0	1,039
Succeeding year	99,999	0	99,999
Accounts	0	1,074	1,074
<b>Total assets</b>	<b>\$ 182,191</b>	<b>71,056</b>	<b>253,247</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 0	6,244	6,244
Deferred revenue:			
Succeeding year property tax	99,999	0	99,999
Total liabilities	99,999	6,244	106,243
Fund balances:			
Restricted:			
Management levy purposes	82,192	0	82,192
Student activities	0	64,812	64,812
Total fund balances	82,192	64,812	147,004
<b>Total liabilities and fund balances</b>	<b>\$ 182,191</b>	<b>71,056</b>	<b>253,247</b>

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, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 99,951	0	99,951
Other	4,981	170,404	175,385
Total revenues	<u>104,932</u>	<u>170,404</u>	<u>275,336</u>
Expenditures:			
Current:			
Instruction:			
Regular	50,810	0	50,810
Other	0	168,792	168,792
Support services:			
Student	0	315	315
Instructional staff	6,390	0	6,390
Administration	3,869	1,127	4,996
Operation and maintenance of plant	43,070	3,511	46,581
Transportation	5,631	0	5,631
Total expenditures	<u>109,770</u>	<u>173,745</u>	<u>283,515</u>
Change in fund balances	(4,838)	(3,341)	(8,179)
Fund balances beginning of year	<u>87,030</u>	<u>68,153</u>	<u>155,183</u>
Fund balances end of year	<u>\$ 82,192</u>	<u>64,812</u>	<u>147,004</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services, and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,283,364	450,200	1,733,564
Receivables:			
Property tax:			
Delinquent	0	1,802	1,802
Succeeding year	0	221,271	221,271
Income surtax	0	57,398	57,398
Due from other governments	75,325	0	75,325
<b>Total assets</b>	<b>\$ 1,358,689</b>	<b>730,671</b>	<b>2,089,360</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 12,120	541	12,661
Deferred revenue:			
Succeeding year property tax	0	221,271	221,271
Income surtax	0	57,398	57,398
Total liabilities	12,120	279,210	291,330
Fund balances:			
Restricted for:			
School infrastructure	1,346,569	0	1,346,569
Physical plant and equipment	0	451,461	451,461
Total fund balances	1,346,569	451,461	1,798,030
<b>Total liabilities and fund balances</b>	<b>\$ 1,358,689</b>	<b>730,671</b>	<b>2,089,360</b>

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, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 315,893	267,497	583,390
Other	999	58,271	59,270
Total revenues	316,892	325,768	642,660
Expenditures:			
Current:			
Instruction:			
Regular	11,799	0	11,799
Support services:			
Administration	19,129	5,708	24,837
Operation and maintenance of plant	0	9,541	9,541
Transportation	0	108,131	108,131
Capital outlay	144,743	127,895	272,638
Total expenditures	175,671	251,275	426,946
Other financing sources:			
Revenue bond issuance	1,022,000	0	1,022,000
Change in fund balances	1,163,221	74,493	1,237,714
Fund balances beginning of year	183,348	376,968	560,316
Fund balances end of year	\$ 1,346,569	451,461	1,798,030

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, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Annual	\$ (1,724)	4,640	2,879	37
Athletics	45,785	41,347	51,252	35,880
Band	65	251	159	157
Cheerleading Basketball	229	0	0	229
Cheerleading Football	1,082	7,136	6,704	1,514
Class of 2013	7,426	14,624	20,915	1,135
Class of 2014	1,340	23,414	12,994	11,760
Class of 2015	0	4,325	3,872	453
Drama/SP	1,841	280	895	1,226
FFA	8,312	36,547	37,235	7,624
Music Boosters	1,863	2,830	2,719	1,974
National Honor Society	1,388	3,393	3,509	1,272
Travel Abroad	0	25,072	25,026	46
Vocal	57	221	224	54
Volleyball Camp	0	1,910	1,219	691
Daisy Peterson Trust	0	2,974	2,716	258
Purch Serv - Student Council	489	1,440	1,427	502
Total	\$ 68,153	170,404	173,745	64,812

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 2,162,666	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	69,585	60,915	93,936	73,490	131,410	142,179	111,963	101,970	98,993	93,516
Other	361,428	257,487	403,765	258,679	287,722	268,126	244,358	224,042	213,518	242,979
Intermediate sources	0	0	1,650	1,199	118	483	3,868	980	156	137
State sources	1,756,068	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	146,003	173,234	218,112	385,337	132,710	162,589	174,598	138,220	141,726	112,424
Total	\$ 4,495,750	4,379,202	4,413,941	3,957,492	4,082,571	3,980,470	3,617,740	3,319,767	3,246,481	3,158,376
Expenditures:										
Instruction:										
Regular	\$ 1,571,665	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	466,861	462,923	425,667	411,139	434,428	408,137	358,292	305,131	303,304	320,905
Other	592,681	543,445	524,595	627,343	502,549	489,381	438,391	426,870	403,458	328,684
Support services:										
Student	44,581	44,604	35,503	17,035	13,891	13,779	11,325	10,150	32,459	53,200
Instructional staff	144,409	214,291	276,695	152,694	161,072	154,117	175,322	110,732	86,793	74,319
Administration	321,872	388,277	348,448	350,408	354,886	318,809	322,818	412,406	374,093	371,583
Operation and maintenance of plant	330,082	333,882	360,262	369,770	374,175	343,068	309,887	277,026	316,897	292,847
Transportation	337,115	207,378	222,107	201,475	197,514	218,891	317,121	161,655	186,545	274,015
Non-instructional programs:										
Food service operations	0	530	0	0	0	0	0	0	0	0
Capital outlay	272,638	298,501	251,076	87,770	405,651	12,140	37,740	30,594	8,881	36,516
Long-term debt:										
Principal	0	0	45,000	112,070	145,898	140,928	136,147	173,362	167,295	123,344
Interest	0	0	1,856	6,936	13,343	20,487	27,291	35,561	43,524	46,291
Other expenditures:										
AEA flow-through	130,133	128,250	142,037	135,600	128,249	118,199	104,983	101,252	101,744	102,656
Total	\$ 4,212,037	4,369,914	4,015,663	3,990,846	4,176,833	3,621,853	3,454,507	3,188,316	3,202,721	3,225,882

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Adair-Casey Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 20, 2014.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which 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 item I-B-13 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 which 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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### **Adair-Casey Community School District's Responses to Findings**

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

#### **Purpose of this Report**

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 20, 2014  
Newton, Iowa

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

**Part I: Findings Related to the Basic Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

I-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Financial reporting - preparing, reconciling and approving.

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 arises.

Conclusion - Response accepted.

I-B-13 Deposit Procedures - We noted that deposit slips for the General Fund and Student Activity Fund do not contain detail of the composition of the deposit, only listing the total amount of checks being deposited.

Recommendation - Better internal controls are achieved when deposit slips contain detail of the composition of the deposit. The District should include detail as to what checks are being included in the deposit. This will make it easier for the District to trace check receipts through their deposit process.

Response - The District will include detail as to what checks are being included in every deposit in each fund.

Conclusion - Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting**

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013, did not exceed the amount budgeted.

II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 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-13 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	\$2,532
Jim Zimmerline, Board Member Owner of Jim's Lawn Care	Lawn Care Services - Per Bid	\$14,421
Owner Zipp's Pizzeria	Purchased Services	\$2,479

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 and the remaining transactions did not exceed the \$2,500 threshold.

II-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-13 Supplementary Weighting - We noted a variance regarding the supplementary weighting certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was overstated by 0.33 students for the fall of 2012.

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

Response - The Iowa Department of Education was contacted for further information regarding the supplementary weighting overstatement for the fall of 2012. This amount of 0.33 students will show as an audited change on the fiscal year 2015 Aid & Levy worksheet.

Conclusion - Response accepted.

- II-I-13 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-13 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-13 Categorical Funding - We noted no instances of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	183,348
Revenues:			
Sales tax revenues	\$	315,893	
Other local revenues		999	
Sale of revenue bonds		<u>1,022,000</u>	<u>1,338,892</u>
			1,522,240
Expenditures:			
School infrastructure construction		144,743	
Equipment		11,799	
Other		<u>19,129</u>	<u>175,671</u>
Ending balance			<u>\$ 1,346,569</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.