

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Adair-Casey Community School District

Officials

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

(Before September 2013 Election)

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

(After September 2013 Election)

Megan Kading	President	2017
Randy Carney	Vice President	2015
Dallas Dinkla	Board Member	2015
Jeff Leonard	Board Member	2017
Mark Williams	Board Member	2017

School Officials

Steve Smith	Superintendent	2014
Theresa Elgin	District Secretary/Treasurer	2014
Rick Engel	Attorney	2014

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

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 16 and 40 through 44 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.

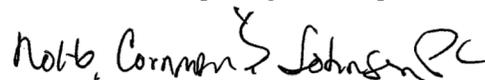
Supplementary Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 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 24, 2015 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 24, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adair-Casey Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,581,388 in fiscal 2013 to \$3,691,315 in fiscal 2014, while General Fund expenditures increased from \$3,501,576 in fiscal 2013 to \$3,516,783 in fiscal 2014. This resulted in an increase in the District's General Fund balance from \$1,008,078 at June 30, 2013 to a balance of \$1,182,610 at June 30, 2014, a 17.31% increase from the prior year.
- General Fund revenues increased from the prior year, partly as a result of increases in revenues from local taxes and state sources. The increase in General Fund expenditures was due in part to an increase in support services functional area expenditures as compared to the prior year.

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 custodian 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 discretely 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.

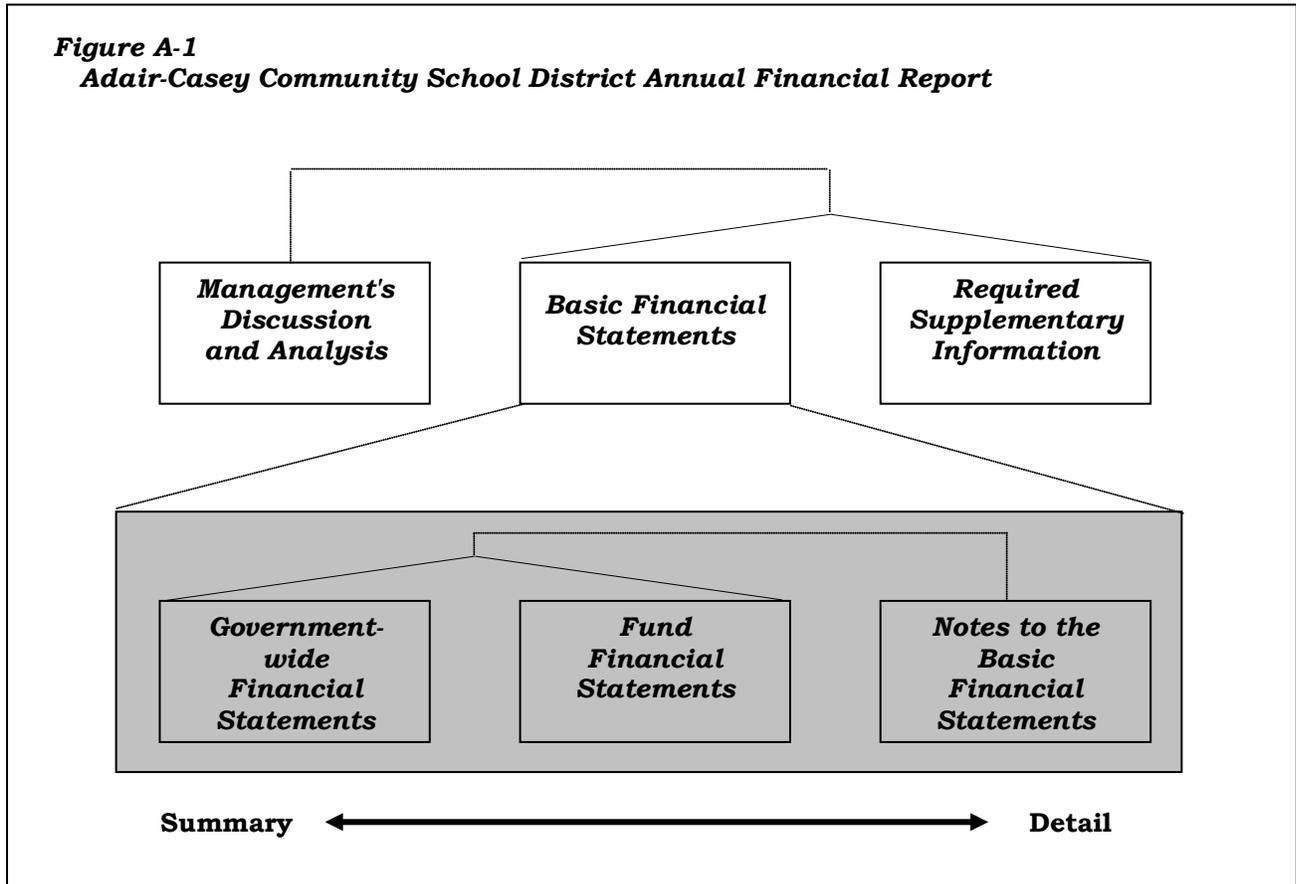


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, food service operations	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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014 2013		June 30, 2014 2013		June 30, 2014 2013		June 30, 2013-14
Current and other assets	\$ 4,431,232	5,277,973	29,749	32,193	4,460,981	5,310,166	-15.99%
Capital assets	3,092,841	1,824,759	13,575	17,155	3,106,416	1,841,914	68.65%
Total assets	<u>7,524,073</u>	<u>7,102,732</u>	<u>43,324</u>	<u>49,348</u>	<u>7,567,397</u>	<u>7,152,080</u>	<u>5.81%</u>
Long-term liabilities	1,086,554	1,157,150	2,338	1,813	1,088,892	1,158,963	-6.05%
Other liabilities	437,522	469,058	12,779	14,507	450,301	483,565	-6.88%
Total liabilities	<u>1,524,076</u>	<u>1,626,208</u>	<u>15,117</u>	<u>16,320</u>	<u>1,539,193</u>	<u>1,642,528</u>	<u>-6.29%</u>
Deferred inflows of resources	<u>1,736,544</u>	<u>1,741,745</u>	<u>-</u>	<u>-</u>	<u>1,736,544</u>	<u>1,741,745</u>	<u>-0.30%</u>
Net position:							
Net investment in capital assets	2,144,841	1,680,016	13,575	17,155	2,158,416	1,697,171	27.18%
Restricted	1,019,970	1,101,987	-	-	1,019,970	1,101,987	-7.44%
Unrestricted	1,098,642	952,776	14,632	15,873	1,113,274	968,649	14.93%
Total net position	<u>\$ 4,263,453</u>	<u>3,734,779</u>	<u>28,207</u>	<u>33,028</u>	<u>4,291,660</u>	<u>3,767,807</u>	<u>13.90%</u>

The District's combined net position increased by 13.90%, or \$523,853 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 represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$82,017, or 7.44% from the prior year. The decrease in restricted net position was primarily due to the increase in the Capital Projects Fund balance during the year.

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 \$144,625, or 14.93%. The increase in unrestricted net position was primarily a result of the in the General Fund balance during the year.

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

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 275,006	271,796	93,661	92,961	368,667	364,757	1.07%
Operating grants, contributions and restricted interest	401,142	374,535	82,152	92,917	483,294	467,452	3.39%
Capital grants, contributions and restricted interest	45,090	56,498	-	-	45,090	56,498	-20.19%
General revenues:							
Property tax	1,743,644	1,715,563	-	-	1,743,644	1,715,563	1.64%
Income surtax	170,639	131,878	-	-	170,639	131,878	29.39%
Statewide sales, services and use tax	313,462	315,893	-	-	313,462	315,893	-0.77%
Unrestricted state grants	1,651,525	1,576,885	-	-	1,651,525	1,576,885	4.73%
Unrestricted investment earnings	6,168	7,247	61	68	6,229	7,315	-14.85%
Other	18,813	46,123	3,418	3,029	22,231	49,152	-54.77%
Total revenues	<u>4,625,489</u>	<u>4,496,418</u>	<u>179,292</u>	<u>188,975</u>	<u>4,804,781</u>	<u>4,685,393</u>	<u>2.55%</u>
Program expenses:							
Instruction	2,690,479	2,699,731	-	-	2,690,479	2,699,731	-0.34%
Support services	1,112,282	1,149,124	2,493	2,363	1,114,775	1,151,487	-3.19%
Non-instructional programs	-	-	183,394	198,653	183,394	198,653	-7.68%
Other expenses	292,280	265,556	-	-	292,280	265,556	10.06%
Total expenses	<u>4,095,041</u>	<u>4,114,411</u>	<u>185,887</u>	<u>201,016</u>	<u>4,280,928</u>	<u>4,315,427</u>	<u>-0.80%</u>
Excess(Deficiency) of revenues over(under) expenditures	530,448	382,007	(6,595)	(12,041)	523,853	369,966	41.59%
Transfers	(1,774)	(1,799)	1,774	1,799	-	-	0.00%
Change in net position	528,674	380,208	(4,821)	(10,242)	523,853	369,966	41.59%
Net position beginning 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>
Net position end of year	<u>\$ 4,263,453</u>	<u>3,734,779</u>	<u>28,207</u>	<u>33,028</u>	<u>4,291,660</u>	<u>3,767,807</u>	<u>13.90%</u>

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 83.87% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest accounted for 98.06% of the revenue from business type activities.

The District's total revenues were \$4,804,781, of which \$4,625,489 was for governmental activities and \$179,292 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.55% increase in revenues and a 0.80% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$4,625,489 and expenses were \$4,095,041.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 2,690,479	2,699,731	-0.34%	2,177,188	2,211,841	-1.57%
Support services	1,112,282	1,149,124	-3.21%	1,040,831	1,064,318	-2.21%
Other expenses	292,280	265,556	10.06%	155,784	135,423	15.04%
Totals	<u>\$ 4,095,041</u>	<u>4,114,411</u>	<u>-0.47%</u>	<u>3,373,803</u>	<u>3,411,582</u>	<u>-1.11%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$275,006.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$446,232.
- The net cost of governmental activities was financed with \$1,743,644 in property tax, \$170,639 in income surtax, \$313,462 in statewide sales, services and use tax, \$1,651,525 in unrestricted state grants, \$6,168 in interest income and \$18,813 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$179,292 and expenses were \$185,887. 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 and other general revenue.

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 \$2,125,512, below last year's ending fund balance of \$2,953,112. The decrease in combined fund balance in fiscal year 2014 is attributable to the decrease in the Capital Projects: Statewide Sales, Services, and Use Tax Fund due to various District improvement projects started during fiscal year 2014.

Governmental Fund Highlights

- The District's General Fund balance increased from \$1,008,078 at June 30, 2013 to \$1,182,610 at June 30, 2014. The increase in the District's General Fund financial position is the product of many factors. Increases in revenues from local taxes and state sources contributed to an overall increase in revenues as compared to the prior year. Despite an increase in total expenditures, revenues still exceeded expenditures during the year resulting in a 17.31% increase in the General Fund balance.
- The Capital Projects Fund balance decreased from \$1,798,030 at June 30, 2013 to \$800,907 at June 30, 2014. The Capital Projects: Statewide Sales, Services, and Use Tax Fund balance decreased from \$1,346,569 at June 30, 2013 to a balance of \$384,358 at June 30, 2014, representing a 71.46% decrease from the prior year. The Capital Projects: Physical Plant and Equipment Levy Fund balance decreased from a balance of \$451,461 at June 30, 2013 to a balance of \$416,549 at June 30, 2014, representing a 7.73% decrease from the prior year. The decrease in the Capital Projects Fund balance can be attributed to increased expenditures related to the District's ongoing facility improvement projects.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$33,028 at June 30, 2013 to \$28,207 at June 30, 2014, representing a decrease of 14.60%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Adair-Casey Community School District amended its budget one time to reflect additional expenditures associated with the District's various ongoing facility improvement projects.

The District's revenues were \$140,109 less than budgeted revenues, a variance of 2.81%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$3,106,416, 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 68.65% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$221,637.

The original cost of the District's capital assets was \$6,411,420. Governmental funds account for \$6,315,967 with the remainder of \$95,453 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 \$144,743 at June 30, 2013, compared to \$1,352,173 reported at June 30, 2014. The increase was the result continued expenditures of a window and door replacement project and locker and weight room additions started during fiscal year 2013.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 3,714	3,714	-	-	3,714	3,714	0.00%
Construction in progress	1,352,173	144,743	-	-	1,352,173	144,743	834.19%
Buildings	189,534	154,239	-	-	1,295,466	1,266,745	2.27%
Improvements other than buildings	1,295,466	1,266,745	-	-	189,534	154,239	22.88%
Machinery and equipment	251,954	255,318	13,575	17,155	265,529	272,473	-2.55%
Total	\$ 3,092,841	1,824,759	13,575	17,155	3,106,416	1,841,914	68.65%

Long-Term Debt

At June 30, 2014, the District had \$1,088,892 in long-term debt outstanding. This represents a decrease of 6.05% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had \$948,000 of outstanding revenue bonds at June 30, 2014. These are payable from the Capital Projects: Statewide Sales, Services, and Use Tax Fund.

The District had termination benefits payable of \$51,656 at June 30, 2014, payable from the Special Revenue, Management Levy Fund.

The District has a Net OPEB liability of \$89,236, consisting of \$86,898 in the governmental activities and \$2,338 in the business type activities.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenue bonds	\$ 948,000	1,022,000	-	-	948,000	1,022,000	-7.24%
Termination benefits	51,656	67,774	-	-	51,656	67,774	-23.78%
Net OPEB liability	86,898	67,376	2,338	1,813	89,236	69,189	28.97%
Totals	\$ 1,086,554	1,157,150	2,338	1,813	1,088,892	1,158,963	-6.05%

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, and a slight decline of enrollment predicted in the future, the District has continued to look for increased sharing opportunities and to implement cost saving measures where possible.

- In November 2014, the Board passed a motion “to operate in the same capacity while we explore whole grade sharing opportunities with previously identified districts to determine a mutually beneficial partner”.
- The Board of Education continues to work on a strategic plan to determine the most optimal whole grade sharing partner.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Theresa Elgin, Board Secretary, Adair-Casey Community School District, 3384 Indigo Avenue, Adair, Iowa, 50002.

BASIC FINANCIAL STATEMENTS

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Booster Club
Assets				
Cash and pooled investments	\$ 2,393,344	25,992	2,419,336	35,420
Receivables:				
Property tax:				
Delinquent	21,394	-	21,394	-
Succeeding year	1,736,544	-	1,736,544	-
Income surtax	131,654	-	131,654	-
Accounts	3,762	-	3,762	-
Due from other governments	144,534	-	144,534	-
Inventories	-	3,757	3,757	-
Capital assets, net of accumulated depreciation	3,092,841	13,575	3,106,416	-
Total assets	7,524,073	43,324	7,567,397	35,420
Liabilities				
Accounts payable	139,766	1,520	141,286	-
Salaries and benefits payable	297,756	9,468	307,224	-
Unearned revenue	-	1,791	1,791	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	96,000	-	96,000	-
Termination benefits payable	51,656	-	51,656	-
Portion due after one year:				
Revenue bonds payable	852,000	-	852,000	-
Net OPEB liability	86,898	2,338	89,236	-
Total liabilities	1,524,076	15,117	1,539,193	-
Deferred Inflows of Resources				
Unavailable property tax revenue	1,736,544	-	1,736,544	-
Net Position				
Net investment in capital assets	2,144,841	13,575	2,158,416	-
Restricted for:				
Categorical funding	128,724	-	128,724	-
Management levy purposes	26,885	-	26,885	-
Student activities	63,410	-	63,410	-
Debt service	44	-	44	-
School infrastructure	384,358	-	384,358	-
Physical plant and equipment levy	416,549	-	416,549	-
Unrestricted	1,098,642	14,632	1,113,274	35,420
Total net position	\$ 4,263,453	28,207	4,291,660	35,420

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	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		
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 1,635,985	134,068	51,360	-	(1,450,557)	-	(1,450,557)	-
Special	487,932	-	16,646	-	(471,286)	-	(471,286)	-
Other	566,562	140,888	170,329	-	(255,345)	-	(255,345)	-
	<u>2,690,479</u>	<u>274,956</u>	<u>238,335</u>	<u>-</u>	<u>(2,177,188)</u>	<u>-</u>	<u>(2,177,188)</u>	<u>-</u>
Support services:								
Student	45,411	-	-	-	(45,411)	-	(45,411)	-
Instructional staff	161,259	-	26,311	-	(134,948)	-	(134,948)	-
Administration	315,103	-	-	-	(315,103)	-	(315,103)	-
Operation and maintenance of plant	338,313	-	-	45,090	(293,223)	-	(293,223)	-
Transportation	252,196	50	-	-	(252,146)	-	(252,146)	-
	<u>1,112,282</u>	<u>50</u>	<u>26,311</u>	<u>45,090</u>	<u>(1,040,831)</u>	<u>-</u>	<u>(1,040,831)</u>	<u>-</u>
Long-term debt interest	22,558	-	-	-	(22,558)	-	(22,558)	-
Other expenditures:								
AEA flowthrough	136,496	-	136,496	-	-	-	-	-
Depreciation(unallocated)*	133,226	-	-	-	(133,226)	-	(133,226)	-
	<u>269,722</u>	<u>-</u>	<u>136,496</u>	<u>-</u>	<u>(133,226)</u>	<u>-</u>	<u>(133,226)</u>	<u>-</u>
Total governmental activities	<u>4,095,041</u>	<u>275,006</u>	<u>401,142</u>	<u>45,090</u>	<u>(3,373,803)</u>	<u>-</u>	<u>(3,373,803)</u>	<u>-</u>
Business type activities:								
Support services:								
Administration	64	-	-	-	-	(64)	(64)	-
Operation and maintenance of plant	2,429	-	-	-	-	(2,429)	(2,429)	-
	<u>2,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,493)</u>	<u>(2,493)</u>	<u>-</u>
Non-instructional programs:								
Food service operations	183,394	93,661	82,152	-	-	(7,581)	(7,581)	-
Total business type activities	<u>185,887</u>	<u>93,661</u>	<u>82,152</u>	<u>-</u>	<u>-</u>	<u>(10,074)</u>	<u>(10,074)</u>	<u>-</u>
Total primary government	<u>\$ 4,280,928</u>	<u>368,667</u>	<u>483,294</u>	<u>45,090</u>	<u>(3,373,803)</u>	<u>(10,074)</u>	<u>(3,383,877)</u>	<u>-</u>
Total component unit	<u>\$ 62,317</u>	<u>54,480</u>	<u>3,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,609)</u>	<u>-</u>
General Revenues and Transfers:								
Local tax levied for:								
General purposes					\$ 1,530,593	-	1,530,593	-
Capital outlay					213,051	-	213,051	-
Income surtax					170,639	-	170,639	-
Statewide sales, services and use tax					313,462	-	313,462	-
Unrestricted state grants					1,651,525	-	1,651,525	-
Unrestricted investment earnings					6,168	61	6,229	8
Other					18,813	3,418	22,231	-
Transfers					(1,774)	1,774	-	-
Total general revenues and transfers					<u>3,902,477</u>	<u>5,253</u>	<u>3,907,730</u>	<u>8</u>
Change in net position					528,674	(4,821)	523,853	(4,601)
Net position beginning of year					3,734,779	33,028	3,767,807	40,021
Net position end of year					<u>\$ 4,263,453</u>	<u>28,207</u>	<u>4,291,660</u>	<u>35,420</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, 2014

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 1,533,284	711,925	144,764	2,389,973
Receivables:				
Property tax:				
Delinquent	17,768	2,359	1,267	21,394
Succeeding year	1,408,203	228,341	100,000	1,736,544
Income surtax	65,827	65,827	-	131,654
Accounts	1,189	-	1,963	3,152
Due from other governments	42,963	101,571	-	144,534
Total assets	\$ 3,069,234	1,110,023	247,994	4,427,251
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 114,838	14,948	5,999	135,785
Salaries and benefits payable	297,756	-	-	297,756
Total liabilities	412,594	14,948	5,999	433,541
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,408,203	228,341	100,000	1,736,544
Income surtax	65,827	65,827	-	131,654
Total deferred inflows of resources	1,474,030	294,168	100,000	1,868,198
Fund balances:				
Restricted for:				
Categorical funding	128,724	-	-	128,724
Management levy purposes	-	-	78,541	78,541
Student activities	-	-	63,410	63,410
Debt service	-	-	44	44
School infrastructure	-	384,358	-	384,358
Physical plant and equipment levy	-	416,549	-	416,549
Unassigned	1,053,886	-	-	1,053,886
Total fund balances	1,182,610	800,907	141,995	2,125,512
Total liabilities, deferred inflows of resources and fund balances	\$ 3,069,234	1,110,023	247,994	4,427,251

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, 2014

Total fund balances of governmental funds(page 20)	\$	2,125,512
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		3,092,841
Accounts receivable income surtax, are not yet available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		131,654
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>(1,086,554)</u>
Net position of governmental activities(page 18)	\$	<u>4,263,453</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,498,943	298,370	100,112	1,897,425
Tuition	43,462	-	-	43,462
Other	145,035	48,728	158,144	351,907
State sources	1,862,945	313,462	-	2,176,407
Federal sources	139,430	-	-	139,430
Total revenues	3,689,815	660,560	258,256	4,608,631
Expenditures:				
Current:				
Instruction:				
Regular	1,501,569	50,995	40,615	1,593,179
Special	485,957	-	-	485,957
Other	409,736	-	151,495	561,231
	2,397,262	50,995	192,110	2,640,367
Support services:				
Student	44,831	-	315	45,146
Instructional staff	151,755	1,658	6,776	160,189
Administration	302,118	6,127	5,497	313,742
Operation and maintenance of plant	267,782	4,752	52,236	324,770
Transportation	216,539	79,677	6,331	302,547
	983,025	92,214	71,155	1,146,394
Capital outlay	-	1,417,178	-	1,417,178
Long-term debt:				
Principal	-	-	74,000	74,000
Interest and fiscal charges	-	-	23,296	23,296
	-	-	97,296	97,296
Other expenditures:				
AEA flowthrough	136,496	-	-	136,496
Total expenditures	3,516,783	1,560,387	360,561	5,437,731
Excess(Deficiency) of revenues over(under) expenditures	173,032	(899,827)	(102,305)	(829,100)
Other financing sources:				
Transfers in	-	-	97,296	97,296
Transfers out	-	(97,296)	-	(97,296)
Sale of equipment	1,500	-	-	1,500
Total other financing sources	1,500	(97,296)	97,296	1,500
Change in fund balances	174,532	(997,123)	(5,009)	(827,600)
Fund balances beginning of year	1,008,078	1,798,030	147,004	2,953,112
Fund balances end of year	\$ 1,182,610	800,907	141,995	2,125,512

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, 2014

Change in fund balances - total governmental funds(page 22) \$ (827,600)

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

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:

Capital outlay	\$ 1,433,524	
Depreciation expense	<u>(165,442)</u>	<u>1,268,082</u>

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 74,000

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 revenue and is recognized as deferred inflows of resources in the governmental funds. 16,858

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	16,118	
Net OPEB liability	<u>(19,522)</u>	<u>(3,404)</u>

Change in net position of governmental activities(page 19) \$ 528,674

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Current assets:		
Cash and pooled investments	\$ 25,992	3,371
Accounts receivable	-	610
Inventories	3,757	-
Total current assets	29,749	3,981
Noncurrent assets:		
Capital assets, net of accumulated depreciation	13,575	-
Total assets	43,324	3,981
Liabilities		
Current liabilities:		
Accounts payable	1,520	3,981
Salaries and benefits payable	9,468	-
Unearned revenue	1,791	-
Total current liabilities	12,779	3,981
Noncurrent liabilities:		
Net OPEB liability	2,338	-
Total liabilities	15,117	3,981
Net Position		
Net investment in capital assets	13,575	-
Unrestricted	14,632	-
Total net position	\$ 28,207	-

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, 2014

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 93,661	-
Miscellaneous	3,418	20,485
Total operating revenues	<u>97,079</u>	<u>20,485</u>
Operating expenses:		
Support services:		
Administration:		
Services	64	20,485
Operation and maintenance of plant:		
Services	1,562	-
Supplies	867	-
	<u>2,493</u>	<u>20,485</u>
Non-instructional programs:		
Food service operations:		
Salaries	67,743	-
Benefits	18,551	-
Supplies	90,863	-
Depreciation	5,370	-
Other	197	-
	<u>182,724</u>	<u>-</u>
Total operating expenses	<u>185,217</u>	<u>20,485</u>
Operating loss	<u>(88,138)</u>	<u>-</u>
Non-operating revenues(expenses):		
Loss on disposal of assets	(670)	
State sources	1,376	-
Federal sources	80,776	-
Interest income	61	-
Total non-operating revenues(expenses)	<u>81,543</u>	<u>-</u>
Change in net position before capital contributions	(6,595)	-
Capital contributions	<u>1,774</u>	<u>-</u>
Change in net position	(4,821)	-
Net position beginning of year	<u>33,028</u>	<u>-</u>
Net position end of year	<u>\$ 28,207</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 93,529	-
Cash received from miscellaneous sources	3,418	19,875
Cash payments to employees for services	(87,430)	-
Cash payments to suppliers for goods or services	(86,216)	(17,225)
Net cash provided by(used in) operating activities	<u>(76,699)</u>	<u>2,650</u>
Cash flows from non-capital financing activities:		
State grants received	1,376	-
Federal grants received	72,744	-
Net cash provided by non-capital financing activities	<u>74,120</u>	<u>-</u>
Cash flows from investing financing activities:		
Interest on investments	61	-
Cash flows from capital financing activities		
Purchase of assets	(686)	-
Net increase(decrease) in cash and cash equivalents	(3,204)	2,650
Cash and cash equivalents beginning of year	<u>29,196</u>	<u>721</u>
Cash and cash equivalents end of year	<u>\$ 25,992</u>	<u>3,371</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating loss	\$ (88,138)	-
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	8,032	-
Depreciation	5,370	-
Increase in inventories	(760)	-
Increase in accounts receivable	-	(610)
Increase in accounts payable	65	3,260
Decrease in salaries and benefits payable	(1,661)	-
Increase in net OPEB liability	525	-
Increase in unearned revenue	(132)	-
Net cash provided by(used in) operating activities	<u>\$ (76,699)</u>	<u>2,650</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received federal commodities valued at \$8,032.

During the year ended June 30, 2014, the District received \$1,774 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, 2014

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 200,720</u>
Liabilities	<u>-</u>
Net Position	
Restricted for scholarships	<u>\$ 200,720</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 3,075
Interest income	5,428
Total additions	<u>8,503</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>5,525</u>
Change in net position	2,978
Net position beginning of year	<u>197,742</u>
Net position end of year	<u>\$ 200,720</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 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. 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 component unit 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 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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, Deferred Inflows of Resources 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

Capital Assets - Capital assets, which include property, 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

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
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 Inflows of Resources - 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 inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consists of property tax receivables and income surtax receivables not collected within sixty days after year end.

Deferred inflows of resources 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.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2014 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education 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, 2014 the District had no investments.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 97,296

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund was for principal and interest payments on the District's revenue bond indebtedness.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,714	-	-	3,714
Construction in progress	144,743	1,207,430	-	1,352,173
Total capital assets not being depreciated	148,457	1,207,430	-	1,355,887
Capital assets being depreciated:				
Buildings	1,505,857	45,366	5,857	1,545,366
Improvements other than buildings	2,267,590	151,876	-	2,419,466
Machinery and equipment	960,539	79,677	44,968	995,248
Total capital assets being depreciated	4,733,986	276,919	50,825	4,960,080
Less accumulated depreciation for:				
Buildings	1,351,618	10,071	5,857	1,355,832
Improvements other than buildings	1,000,845	123,155	-	1,124,000
Machinery and equipment	705,221	83,041	44,968	743,294
Total accumulated depreciation	3,057,684	216,267	50,825	3,223,126
Total capital assets being depreciated, net	1,676,302	60,652	-	1,736,954
Governmental activities capital assets, net	\$ 1,824,759	1,268,082	-	3,092,841
Business type activities:				
Machinery and equipment	\$ 97,128	2,460	4,135	95,453
Less accumulated depreciation	79,973	5,370	3,465	81,878
Business type activities capital assets, net	\$ 17,155	(2,910)	670	13,575

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 48,816
Other	2,705
Support services:	
Operation and maintenance of plant	1,909
Transportation	29,611
	83,041
Unallocated depreciation	133,226
Total governmental activities depreciation expense	\$ 216,267
Business type activities:	
Food service operations	\$ 5,370

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 1,022,000	-	74,000	948,000	96,000
Termination benefits	67,774	28,445	44,563	51,656	51,656
Net OPEB liability	67,376	19,522	-	86,898	-
Total	\$ 1,157,150	47,967	118,563	1,086,554	147,656
Business type activities:					
Net OPEB liability	\$ 1,813	525	-	2,338	-

Revenue Bonds

Details of the District's June 30, 2014 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
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	2.20	105,000	10,923	115,923
2020-2023	2.20	444,000	25,861	469,861
		\$ 948,000	107,294	1,055,294

The District has pledged future statewide sales, services, and use tax revenues to repay \$1,022,000 of bonds issued June 18, 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 37% of the statewide sales, services, and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,055,294. During the year ended June 30, 2014, \$74,000 of principal and \$23,296 of interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$313,462.

Termination Benefits (Early Retirement)

The District offered a voluntary termination benefit plan to its certified employees for fiscal years 2013 and 2014. 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, 2014, totaled \$44,563. A liability has been recorded in the Statement of Net Position for obligations to three employees for \$51,656.

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$186,284, \$175,692, and \$162,372 respectively, equal to the required contributions for each year.

Note 7. 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. Retired 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 27,233
Interest on net OPEB obligation	1,730
Adjustment to annual required contribution	(4,938)
Annual OPEB cost	<u>24,025</u>
Contributions made	<u>(3,978)</u>
Increase in net OPEB obligation	20,047
Net OPEB obligation beginning of year	<u>69,189</u>
Net OPEB obligation end of year	<u>\$ 89,236</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, 2014.

For the year ended June 30, 2014, the District contributed \$3,978 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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 20,518	2.91 %	\$ 48,710
2013	23,730	13.70	69,189
2014	24,025	16.56	89,236

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$181,797 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$181,797. The covered payroll (annual payroll of active employees covered by the plan) was \$1,645,780, and the ratio of the UAAL to covered payroll was 11.05%.

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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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 include 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. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

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

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 were \$299,205.

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.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$136,496 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District’s ending restricted balances for categorical funding as of June 30, 2014 are comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 15,770
Teacher salary supplement	685
Limited english proficient	1,783
Successful progression for early readers	9,626
Teacher leadership grants	3,368
Professional development	333
Four year old preschool state aid	97,159
Total	<u>\$ 128,724</u>

Note 11. Construction Commitments

The District has entered into various contracts totaling \$1,389,980 for window and door replacement, locker and weight room addition. As of June 30, 2014, costs of \$1,276,296 had been incurred against these contracts. The balance of \$113,684 remaining at June 30, 2014 will be paid as work on the projects progresses.

Note 12. Prospective Accounting Change

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

Note 13. Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Net Investment in Capital Assets</u>	<u>Management Levy Purposes</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	78,541	1,053,886
Capital assets, net of accumulated depreciation	3,092,841	-	-
Revenue bond capitalized indebtedness	(948,000)	-	-
Termination benefits payable	-	(51,656)	-
Income surtax receivable	-	-	131,654
Net OPEB liability	-	-	(86,898)
Net position (Exhibit A)	<u>\$ 2,144,841</u>	<u>26,885</u>	<u>1,098,642</u>

REQUIRED SUPPLEMENTARY INFORMATION

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,292,794	97,140	2,389,934	2,745,403	2,745,403	(355,469)
Intermediate sources	-	-	-	500	500	(500)
State sources	2,176,407	1,376	2,177,783	1,932,129	1,932,129	245,654
Federal sources	139,430	80,776	220,206	250,000	250,000	(29,794)
Total revenues	<u>4,608,631</u>	<u>179,292</u>	<u>4,787,923</u>	<u>4,928,032</u>	<u>4,928,032</u>	<u>(140,109)</u>
Expenditures/Expenses:						
Instruction	2,640,367	-	2,640,367	2,880,000	2,880,000	239,633
Support services	1,146,394	2,493	1,148,887	1,330,000	1,330,000	181,113
Non-instructional programs	-	183,394	183,394	210,000	210,000	26,606
Other expenditures	1,650,970	-	1,650,970	825,847	1,750,000	99,030
Total expenditures/expenses	<u>5,437,731</u>	<u>185,887</u>	<u>5,623,618</u>	<u>5,245,847</u>	<u>6,170,000</u>	<u>546,382</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(829,100)	(6,595)	(835,695)	(317,815)	(1,241,968)	406,273
Other financing sources, net	1,500	1,774	3,274	9,600	9,600	(6,326)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(827,600)	(4,821)	(832,421)	(308,215)	(1,232,368)	399,947
Balances beginning of year	<u>2,953,112</u>	<u>33,028</u>	<u>2,986,140</u>	<u>1,673,369</u>	<u>1,673,369</u>	<u>1,312,771</u>
Balances end of year	<u>\$ 2,125,512</u>	<u>28,207</u>	<u>2,153,719</u>	<u>1,365,154</u>	<u>441,001</u>	<u>1,712,718</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2014, the District adopted one budget amendment, increasing budgeted expenditures by \$924,153.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 168,182	\$ 168,182	0.00%	\$ 1,683,024	9.99%
2011	July 1, 2009	-	162,377	162,377	0.00	1,605,643	10.11%
2012	July 1, 2009	-	152,439	152,439	0.00	1,640,999	9.29%
2013	July 1, 2012	-	198,224	198,224	0.00	1,562,978	12.68%
2014	July 1, 2012	-	181,797	181,797	0.00	1,645,780	11.05%

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

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, 2013

	Booster Club
Assets	
Cash and pooled investments	\$ 35,420
Liabilities	
	-
Net Position	
Unrestricted net position	\$ 35,420

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, 2013

	Booster Club
Revenue:	
Interest	\$ 8
Donations	3,228
Fundraising	54,480
Total support and revenue	57,716
Expenses:	
Fundraising activities	62,317
Change in net position	(4,601)
Net position beginning of year	40,021
Net position end of year	\$ 35,420

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
Assets					
Cash and pooled investments	\$ 77,274	67,446	144,720	44	144,764
Receivables:					
Property tax:					
Delinquent	1,267	-	1,267	-	1,267
Succeeding year	100,000	-	100,000	-	100,000
Accounts	-	1,963	1,963	-	1,963
Total assets	\$ 178,541	69,409	247,950	44	247,994
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ -	5,999	5,999	-	5,999
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	100,000	-	100,000	-	100,000
Fund balances:					
Restricted:					
Management levy purposes	78,541	-	78,541	-	78,541
Student activities	-	63,410	63,410	-	63,410
Debt service	-	-	-	44	44
Total fund balances	78,541	63,410	141,951	44	141,995
Total liabilities, deferred inflows of resources and fund balances	\$ 178,541	69,409	247,950	44	247,994

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, 2014

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 100,112	-	100,112	-	100,112
Other	2,758	155,342	158,100	44	158,144
Total revenues	102,870	155,342	258,212	44	258,256
Expenditures:					
Current:					
Instruction:					
Regular	40,615	-	40,615	-	40,615
Other	-	151,495	151,495	-	151,495
Support services:					
Student	-	315	315	-	315
Instructional staff	6,661	115	6,776	-	6,776
Administration	4,541	956	5,497	-	5,497
Operation and maintenance of plant	48,373	3,863	52,236	-	52,236
Transportation	6,331	-	6,331	-	6,331
Long-term debt:					
Principal	-	-	-	74,000	74,000
Interest and fiscal charges	-	-	-	23,296	23,296
Total expenditures	106,521	156,744	263,265	97,296	360,561
Deficiency of revenues under expenditures	(3,651)	(1,402)	(5,053)	(97,252)	(102,305)
Other financing sources:					
Transfer in	-	-	-	97,296	97,296
Change in fund balances	(3,651)	(1,402)	(5,053)	44	(5,009)
Fund balances beginning of year	82,192	64,812	147,004	-	147,004
Fund balances end of year	\$ 78,541	63,410	141,951	44	141,995

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services, and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 282,787	429,138	711,925
Receivables:			
Property tax:			
Delinquent	-	2,359	2,359
Succeeding year	-	228,341	228,341
Income surtax	-	65,827	65,827
Due from other governments	101,571	-	101,571
Total assets	\$ 384,358	725,665	1,110,023
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	14,948	14,948
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	228,341	228,341
Income surtax	-	65,827	65,827
Total deferred inflows of resources	-	294,168	294,168
Fund balances:			
Restricted for:			
School infrastructure	384,358	-	384,358
Physical plant and equipment	-	416,549	416,549
Total fund balances	384,358	416,549	800,907
Total liabilities, deferred inflows of resources and fund balances	\$ 384,358	725,665	1,110,023

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, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	298,370	298,370
Other	6,966	41,762	48,728
State sources	313,462	-	313,462
Total revenues	320,428	340,132	660,560
Expenditures:			
Current:			
Instruction:			
Regular	-	50,995	50,995
Support services:			
Instructional staff	-	1,658	1,658
Administration	-	6,127	6,127
Operation and maintenance of plant	-	4,752	4,752
Transportation	-	79,677	79,677
Capital outlay	1,185,343	231,835	1,417,178
Total expenditures	1,185,343	375,044	1,560,387
Deficiency of revenues under expenditures	(864,915)	(34,912)	(899,827)
Other financing uses:			
Transfer out	(97,296)	-	(97,296)
Change in fund balances	(962,211)	(34,912)	(997,123)
Fund balances beginning of year	1,346,569	451,461	1,798,030
Fund balances end of year	\$ 384,358	416,549	800,907

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, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama/SP	\$ 1,226	194	759	-	661
Vocal	54	185	200	-	39
Band	157	939	1,073	-	23
Athletics	35,880	50,482	47,171	-	39,191
Volleyball Camp	691	1,624	1,031	-	1,284
Class of 2013	1,135	-	25	(1,110)	-
Class of 2014	11,760	9,235	19,767	-	1,228
Class of 2015	453	10,403	6,251	-	4,605
Class of 2016	-	4,249	4,289	1,110	1,070
Annual	37	2,330	2,166	39	240
Cheerleading Basketball	229	-	-	(229)	-
Cheerleading Football	1,514	6,493	5,225	229	3,011
Drill Team	258	2,745	2,792	-	211
FFA	7,624	29,887	33,937	-	3,574
Music Boosters	1,974	2,703	2,973	-	1,704
National Honor Society	1,272	2,313	2,319	-	1,266
Travel Abroad	46	29,076	24,789	-	4,333
Student Council	502	2,089	1,621	-	970
Interest	-	395	356	(39)	-
Total	\$ 64,812	155,342	156,744	-	63,410

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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 1,897,425	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
Tuition	43,462	69,585	60,915	93,936	73,490	131,410	142,179	111,963	101,970	98,993
Other	351,907	361,428	257,487	403,765	258,679	287,722	268,126	244,358	224,042	213,518
Intermediate sources	-	-	-	1,650	1,199	118	483	3,868	980	156
State sources	2,176,407	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
Federal sources	139,430	146,003	173,234	218,112	385,337	132,710	162,589	174,598	138,220	141,726
Total	\$ 4,608,631	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
Expenditures:										
Instruction:										
Regular	\$ 1,593,179	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
Special	485,957	466,861	462,923	425,667	411,139	434,428	408,137	358,292	305,131	303,304
Other	561,231	592,681	543,445	524,595	627,343	502,549	489,381	438,391	426,870	403,458
Support services:										
Student	45,146	44,581	44,604	35,503	17,035	13,891	13,779	11,325	10,150	32,459
Instructional staff	160,189	144,409	214,291	276,695	152,694	161,072	154,117	175,322	110,732	86,793
Administration	313,742	321,872	388,277	348,448	350,408	354,886	318,809	322,818	412,406	374,093
Operation and maintenance of plant	324,770	330,082	333,882	360,262	369,770	374,175	343,068	309,887	277,026	316,897
Transportation	302,547	337,115	207,378	222,107	201,475	197,514	218,891	317,121	161,655	186,545
Non-instructional programs:										
Food service operations	-	-	530	-	-	-	-	-	-	-
Capital outlay	1,417,178	272,638	298,501	251,076	87,770	405,651	12,140	37,740	30,594	8,881
Long-term debt:										
Principal	74,000	-	-	45,000	112,070	145,898	140,928	136,147	173,362	167,295
Interest	23,296	-	-	1,856	6,936	13,343	20,487	27,291	35,561	43,524
Other expenditures:										
AEA flow-through	136,496	130,133	128,250	142,037	135,600	128,249	118,199	104,983	101,252	101,744
Total	\$ 5,437,731	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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.

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-14 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.

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, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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 24, 2015
Newton, Iowa

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-14 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.
- 5) Journal entries - writing, posting 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.

Part II: Other Findings Related to Required Statutory Reporting

II-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amounts budgeted in any of the functional areas.

II-B-14 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-14 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-14 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	\$424
Mark Williams, Board Member Bus Driver	Employee	\$2,401
Jim Zimmerline, Board Member Owner of Jim's Lawn Care	Lawn Care Services	\$2,032

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with William Elgin, the 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 Board Member Mark Williams and Jim Zimmerline do not appear to represent a conflict of interest.

II-E-14 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-14 Board Minutes - We noted interfund transfers during the year which lacked board approval. All allowable interfund transfers or loans should require board action.

Recommendation - The District should have approval from the Board prior to interfund transfers being made.

Response - The Business Manager will seek Board approval prior to any interfund transfers being made.

Conclusion - Response accepted.

II-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-14 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. We noted a sharing adjustment of -5.0 for a shared transportation director on the fall 2013 count date.

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

Response - The District's auditors will contact the Iowa Department of Education and the Department of Management on behalf of the District to resolve the variance in certified enrollment.

Conclusion - Response accepted.

- II-I-14 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-14 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-14 Categorical Funding - We noted no instances of categorical funding being used to supplant rather than supplement other funds.
- II-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,346,569
Revenues:		
Sales tax revenues	\$ 313,462	
Other local revenues	<u>6,966</u>	<u>320,428</u>
		1,666,997
Expenditures:		
School infrastructure construction	1,185,343	
Transfers to other funds:		
Debt service fund	<u>97,296</u>	<u>1,282,639</u>
Ending balance		<u><u>\$ 384,358</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.