

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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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**

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

**School Officials**

Steve Smith	Superintendent	2015
Theresa Elgin	District Secretary/Treasurer	2015
Rick Engel	Attorney	2015

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
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**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, 2015, 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.

The financial statements of Booster Club have not been audited, and we were not engaged to audit the Booster Club's financial statements as part of our audit of the Adair-Casey Community School District's basic financial statements. The Booster Club's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Booster Club's financial statements and because we did not apply any auditing procedures to the Booster Club's financial statements, we do not express an opinion on the discretely presented component unit.

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, 2015, 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.

### **Emphasis of Matter**

As discussed in Note 11 to the financial statements, Adair-Casey Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions 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 44 through 52 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, 2014 (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 22, 2016 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 22, 2016  
Newton, Iowa

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

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Adair-Casey Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$3,691,315 in fiscal 2014 to \$3,640,718 in fiscal 2015, while General Fund expenditures decreased from \$3,516,783 in fiscal 2014 to \$3,461,297 in fiscal 2015. This resulted in an increase in the District's General Fund balance from \$1,182,610 at June 30, 2014 to a balance of \$1,362,031 at June 30, 2015, a 15.17% increase from the prior year.
- General Fund revenues decreased from the prior year, partly as a result of decrease in revenue from local taxes and federal sources. The decrease in General Fund expenditures was due in part to a decrease in instruction expenditures incurred 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 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, the District's Proportionate share of the net pension liability and related contributions, 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 governmental funds.

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

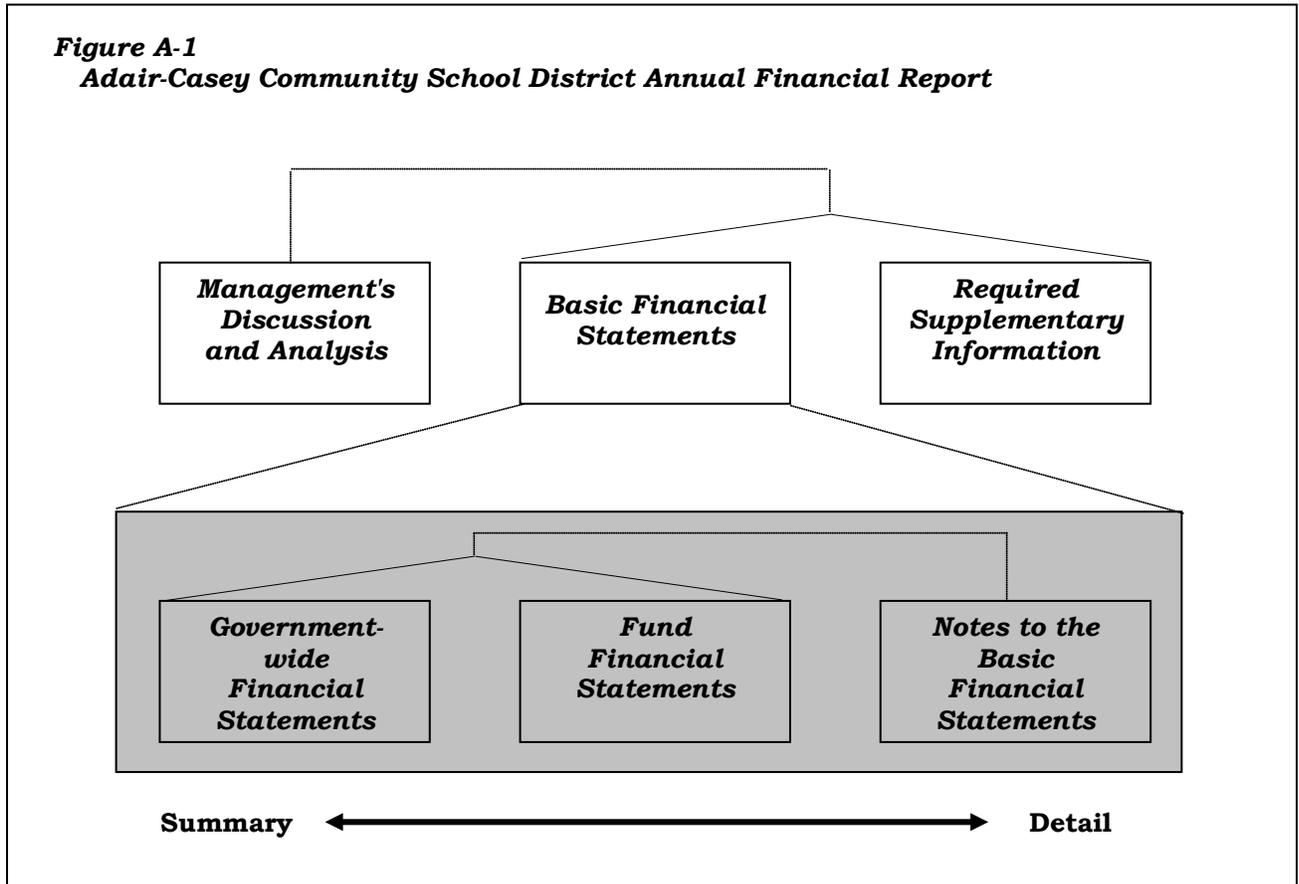


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, 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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period.
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, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Current and other assets	\$ 4,882,378	4,431,232	32,796	29,749	4,915,174	4,460,981	10.18%
Capital assets	3,179,705	3,092,841	33,228	13,575	3,212,933	3,106,416	3.43%
Total assets	8,062,083	7,524,073	66,024	43,324	8,128,107	7,567,397	7.41%
Deferred outflows of resources	238,831	-	7,675	-	246,506	-	100.00%
Long-term liabilities	2,183,218	1,086,554	43,994	2,338	2,227,212	1,088,892	104.54%
Other liabilities	414,603	437,522	12,023	12,779	426,626	450,301	-5.26%
Total liabilities	2,597,821	1,524,076	56,017	15,117	2,653,838	1,539,193	72.42%
Deferred inflows of resources	2,260,405	1,736,544	15,815	-	2,276,220	1,736,544	31.08%
Net position:							
Net investment in capital assets	2,327,705	2,144,841	33,228	13,575	2,360,933	2,158,416	9.38%
Restricted	1,306,236	1,019,970	-	-	1,306,236	1,019,970	28.07%
Unrestricted	(191,253)	1,098,642	(31,361)	14,632	(222,614)	1,113,274	-120.00%
Total net position	\$ 3,442,688	4,263,453	1,867	28,207	3,444,555	4,291,660	-19.74%

The District's combined net position decreased by 19.74%, or \$847,105 from 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 increased \$286,266, or 28.07% from the prior year. The increase in restricted net position was primarily due to the increase in the amount restricted for school infrastructure purposes as compared to the prior 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 - decreased \$1,335,888, or 120.00%. The decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,536,137 and \$51,601, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 286,517	275,006	91,737	93,661	378,254	368,667	2.60%
Operating grants, contributions and restricted interest	327,377	401,142	82,602	82,152	409,979	483,294	-15.17%
Capital grants, contributions and restricted interest	24,237	45,090	-	-	24,237	45,090	-46.25%
General revenues:							
Property tax	1,735,109	1,743,644	-	-	1,735,109	1,743,644	-0.49%
Income surtax	167,548	170,639	-	-	167,548	170,639	-1.81%
Statewide sales, services and use tax	313,164	313,462	-	-	313,164	313,462	-0.10%
Unrestricted state grants	1,672,763	1,651,525	-	-	1,672,763	1,651,525	1.29%
Unrestricted investment earnings	6,093	6,168	71	61	6,164	6,229	-1.04%
Other	29,952	18,813	1,983	3,418	31,935	22,231	43.65%
Total revenues	<u>4,562,760</u>	<u>4,625,489</u>	<u>176,393</u>	<u>179,292</u>	<u>4,739,153</u>	<u>4,804,781</u>	<u>-1.37%</u>
Program expenses:							
Instruction	2,399,994	2,690,479	-	-	2,399,994	2,690,479	-10.80%
Support services	1,080,973	1,112,282	3,648	2,493	1,084,621	1,114,775	-2.70%
Non-instructional programs	-	-	172,372	183,394	172,372	183,394	-6.01%
Other expenses	341,533	292,280	-	-	341,533	292,280	16.85%
Total expenses	<u>3,822,500</u>	<u>4,095,041</u>	<u>176,020</u>	<u>185,887</u>	<u>3,998,520</u>	<u>4,280,928</u>	<u>-6.60%</u>
Excess(Deficiency) of revenues over(under) expenses	740,260	530,448	373	(6,595)	740,633	523,853	41.38%
Transfers	(24,888)	(1,774)	24,888	1,774	-	-	0.00%
Change in net position	715,372	528,674	25,261	(4,821)	740,633	523,853	41.38%
Net position beginning of year, as restated	<u>2,727,316</u>	<u>3,734,779</u>	<u>(23,394)</u>	<u>33,028</u>	<u>2,703,922</u>	<u>3,767,807</u>	<u>-28.24%</u>
Net position end of year	<u>\$ 3,442,688</u>	<u>4,263,453</u>	<u>1,867</u>	<u>28,207</u>	<u>3,444,555</u>	<u>4,291,660</u>	<u>-19.74%</u>

In fiscal 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 85.22% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest accounted for 98.84% of the revenue from business type activities.

The District's total revenues were \$4,739,153, of which \$4,562,760 was for governmental activities and \$176,393 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.37% decrease in revenues and a 6.60% decrease in expenses.

### Governmental Activities

Revenues for governmental activities were \$4,562,760 and expenses were \$3,822,500 for the year ended June, 30 2015.

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, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 2,399,994	2,690,479	-10.80%	1,947,206	2,177,188	-10.56%
Support services	1,080,973	1,112,282	-2.81%	1,030,468	1,040,831	-1.00%
Other expenses	341,533	292,280	16.85%	206,695	155,784	32.68%
Totals	<u>\$ 3,822,500</u>	<u>4,095,041</u>	<u>-6.66%</u>	<u>3,184,369</u>	<u>3,373,803</u>	<u>-5.61%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$286,517.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$351,614.
- The net cost of governmental activities was financed with \$1,735,109 in property tax, \$167,548 in income surtax, \$313,164 in statewide sales, services and use tax, \$1,672,763 in unrestricted state grants, \$6,093 in interest income and \$29,952 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$176,393 and expenses were \$176,020. 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

\$2,523,451, above last year's ending fund balance of \$2,125,512. The increase in combined fund balance in fiscal year 2015 is attributable to the increase in the fund balance of the Capital Projects Fund.

### **Governmental Fund Highlights**

- The District's General Fund balance increased from \$1,182,610 at June 30, 2014 to \$1,362,031 at June 30, 2015. The increase in the District's General Fund financial position is the product of many factors. Decreases in revenues from local taxes and state sources contributed to an overall decrease in revenues as compared to the prior year. Despite an increase in total expenditures, revenues still exceeded expenditures during the year resulting in a 15.17% increase in the General Fund balance.
- The Capital Projects Fund balance increased from \$800,907 at June 30, 2014 to \$1,042,228 at June 30, 2015. The Capital Projects: Statewide Sales, Services, and Use Tax Fund balance increased from \$384,358 at June 30, 2014 to a balance of \$520,712 at June 30, 2015, representing a 35.48% increase from the prior year. The Capital Projects: Physical Plant and Equipment Levy Fund balance increase from a balance of \$416,516 at June 30, 2014 to a balance of \$521,516 at June 30, 2015, representing a 25.20% increase from the prior year. The increase in the Capital Projects Fund balance can be attributed to decreased expenditures following the competition of facility improvement projects.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from a deficit \$23,394 restated at June 30, 2014 to \$1,867 at June 30, 2015, representing an increase of 107.98%.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Adair-Casey Community School District amended its budget one time to reflect additional expenditures associated with hail storm repair costs not previously budgeted.

The District's revenues were \$89,583 less than budgeted revenues, a variance of 1.86%. 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, 2015, the District had invested \$3,212,933, 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 3.43% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$293,963.

The original cost of the District's capital assets was \$6,763,655. Governmental funds account for \$6,644,838 with the remainder of \$118,817 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 \$1,352,173 at June 30, 2014, compared to \$0 reported at June 30, 2015. The decrease was the result completion of expenditures of a window as well as door replacement project and locker and weight room additions projects during the 2015 fiscal year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 3,714	3,714	-	-	3,714	3,714	0.00%
Construction in progress	-	1,352,173	-	-	-	1,352,173	-100.00%
Buildings	1,692,901	189,534	-	-	1,187,914	1,295,466	-8.30%
Improvements other than buildings	1,187,914	1,295,466	-	-	1,692,901	189,534	793.19%
Machinery and equipment	295,176	251,954	33,228	13,575	328,404	265,529	23.68%
Total	\$ 3,179,705	3,092,841	33,228	13,575	3,212,933	3,106,416	3.43%

### Long-Term Debt

At June 30, 2015, the District had \$2,227,212 in long-term debt outstanding. This represents a increase of 104.54% 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 \$852,000 of outstanding revenue bonds at June 30, 2015. These are payable from the Capital Projects: Statewide Sales, Services, and Use Tax Fund.

The District has a Net OPEB liability of \$110,971 at June 30, 2015. Governmental activities account for \$108,064 and Business Type activities account for \$2,907.

The District has a Net pension liability of \$1,264,241 at June 30, 2015. Governmental activities account for \$1,223,154 and Business Type activities account for \$41,087.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenue bonds	\$ 852,000	948,000	-	-	852,000	948,000	-10.13%
Termination benefits	-	51,656	-	-	-	51,656	-100.00%
Net OPEB liability	108,064	86,898	2,907	2,338	110,971	89,236	24.36%
Net pension liability	1,223,154	-	41,087	-	1,264,241	-	100.00%
Totals	\$ 2,183,218	1,086,554	43,994	2,338	2,227,212	1,088,892	104.54%

## **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:

- In January 2016, the Board of Education approved a While Grade Sharing Agreement and an Activity Sharing Agreement with Guthrie Center Community School District. These agreements are effective with the 2016-2017 school year.
- Each District shall maintain its own separate pre-Kindergarten-6<sup>th</sup> grade program. Regular program students of both Districts in grades 7-8 will be served by Adair-Casey at Adair-Casey. Regular program students of both Districts in grades 9-12 will be served by Guthrie Center at Guthrie Center
- The two Districts currently share a Superintendent and the Board of Education continues to look for additional operational sharing opportunities.

## **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, District Secretary/Treasurer, 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, 2015

	Primary Government			Component Unit *
	Governmental Activities	Business Type Activities	Total	Booster Club
<b>Assets</b>				
Cash and pooled investments	\$ 2,815,241	31,001	2,846,242	34,299
Receivables:				
Property tax:				
Delinquent	16,013	-	16,013	-
Succeeding year	1,789,608	-	1,789,608	-
Income surtax	153,786	-	153,786	-
Accounts	5,959	-	5,959	-
Due from other governments	101,771	-	101,771	-
Inventories	-	1,795	1,795	-
Capital assets, net of accumulated depreciation	3,179,705	33,228	3,212,933	-
<b>Total assets</b>	<b>8,062,083</b>	<b>66,024</b>	<b>8,128,107</b>	<b>34,299</b>
<b>Deferred outflows of Resources</b>				
Pension related deferred outflows	238,831	7,675	246,506	-
<b>Liabilities</b>				
Accounts payable	112,162	-	112,162	-
Salaries and benefits payable	302,441	9,730	312,171	-
Unearned revenue	-	2,293	2,293	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	99,000	-	99,000	-
Portion due after one year:				
Revenue bonds payable	753,000	-	753,000	-
Net pension liability	1,223,154	41,087	1,264,241	-
Net OPEB liability	108,064	2,907	110,971	-
<b>Total liabilities</b>	<b>2,597,821</b>	<b>56,017</b>	<b>2,653,838</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>				
Pension related deferred inflows	470,797	15,815	486,612	-
Unavailable property tax revenue	1,789,608	-	1,789,608	-
<b>Total deferred inflows of resources</b>	<b>2,260,405</b>	<b>15,815</b>	<b>2,276,220</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	2,327,705	33,228	2,360,933	-
Restricted for:				
Categorical funding	144,816	-	144,816	-
Management levy purposes	62,999	-	62,999	-
Student activities	56,186	-	56,186	-
Debt service	7	-	7	-
School infrastructure	520,712	-	520,712	-
Physical plant and equipment	521,516	-	521,516	-
Unrestricted	(191,253)	(31,361)	(222,614)	34,299
<b>Total net position</b>	<b>\$ 3,442,688</b>	<b>1,867</b>	<b>3,444,555</b>	<b>34,299</b>

\* The component unit year end is December 31, 2014.

SEE NOTES TO FINANCIAL STATEMENTS.

**ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit ** Booster Club
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Total	
					Governmental Activities	Business Type Activities		
<b>Functions/Programs:</b>								
Governmental activities:								
Instruction:								
Regular	\$ 1,442,988	139,171	29,121	-	(1,274,696)	-	(1,274,696)	-
Special	415,811	10,838	14,854	-	(390,119)	-	(390,119)	-
Other	541,195	135,801	123,003	-	(282,391)	-	(282,391)	-
	<u>2,399,994</u>	<u>285,810</u>	<u>166,978</u>	<u>-</u>	<u>(1,947,206)</u>	<u>-</u>	<u>(1,947,206)</u>	<u>-</u>
Support services:								
Student	43,328	-	-	-	(43,328)	-	(43,328)	-
Instructional staff	155,009	-	24,014	-	(130,995)	-	(130,995)	-
Administration	308,879	-	-	-	(308,879)	-	(308,879)	-
Operation and maintenance of plant	313,786	-	1,547	24,237	(288,002)	-	(288,002)	-
Transportation	259,971	707	-	-	(259,264)	-	(259,264)	-
	<u>1,080,973</u>	<u>707</u>	<u>25,561</u>	<u>24,237</u>	<u>(1,030,468)</u>	<u>-</u>	<u>(1,030,468)</u>	<u>-</u>
Long-term debt interest	20,856	-	-	-	(20,856)	-	(20,856)	-
Other expenditures:								
AEA flowthrough	134,838	-	134,838	-	-	-	-	-
Depreciation(unallocated)*	185,839	-	-	-	(185,839)	-	(185,839)	-
	<u>320,677</u>	<u>-</u>	<u>134,838</u>	<u>-</u>	<u>(185,839)</u>	<u>-</u>	<u>(185,839)</u>	<u>-</u>
Total governmental activities	<u>3,822,500</u>	<u>286,517</u>	<u>327,377</u>	<u>24,237</u>	<u>(3,184,369)</u>	<u>-</u>	<u>(3,184,369)</u>	<u>-</u>
Business type activities:								
Support services:								
Administration	139	-	-	-	-	(139)	(139)	-
Operation and maintenance of plant	3,509	-	-	-	-	(3,509)	(3,509)	-
	<u>3,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,648)</u>	<u>(3,648)</u>	<u>-</u>
Non-instructional programs:								
Food service operations	172,372	91,737	82,602	-	-	1,967	1,967	-
Total business type activities	<u>176,020</u>	<u>91,737</u>	<u>82,602</u>	<u>-</u>	<u>-</u>	<u>(1,681)</u>	<u>(1,681)</u>	<u>-</u>
Total primary government	<u>\$ 3,998,520</u>	<u>378,254</u>	<u>409,979</u>	<u>24,237</u>	<u>(3,184,369)</u>	<u>(1,681)</u>	<u>(3,186,050)</u>	<u>-</u>
Total component unit	<u>\$ 58,955</u>	<u>53,332</u>	<u>4,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,129)</u>
<b>General Revenues and Transfers:</b>								
Local tax levied for:								
General purposes					\$ 1,506,924	-	1,506,924	-
Capital outlay					228,185	-	228,185	-
Income surtax					167,548	-	167,548	-
Statewide sales, services and use tax					313,164	-	313,164	-
Unrestricted state grants					1,672,763	-	1,672,763	-
Unrestricted investment earnings					6,093	71	6,164	8
Other					29,952	1,983	31,935	-
Transfers					(24,888)	24,888	-	-
Total general revenues and transfers					<u>3,899,741</u>	<u>26,942</u>	<u>3,926,683</u>	<u>8</u>
Change in net position					715,372	25,261	740,633	(1,121)
Net position beginning of year, as restated					2,727,316	(23,394)	2,703,922	35,420
Net position end of year					<u>\$ 3,442,688</u>	<u>1,867</u>	<u>3,444,555</u>	<u>34,299</u>

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

\*\* The component unit year end is December 31, 2014.

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 1,655,210	1,037,992	119,513	2,812,715
Receivables:				
Property tax:				
Delinquent	13,304	1,746	963	16,013
Succeeding year	1,323,742	275,865	190,001	1,789,608
Income surtax	76,893	76,893	-	153,786
Accounts	4,622	-	1,337	5,959
Due from other governments	53,465	48,306	-	101,771
<b>Total assets</b>	<b>\$ 3,127,236</b>	<b>1,440,802</b>	<b>311,814</b>	<b>4,879,852</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 62,129	45,816	2,621	110,566
Salaries and benefits payable	302,441	-	-	302,441
Total liabilities	364,570	45,816	2,621	413,007
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,323,742	275,865	190,001	1,789,608
Income surtax	76,893	76,893	-	153,786
Total deferred inflows of resources	1,400,635	352,758	190,001	1,943,394
Fund balances:				
Restricted for:				
Categorical funding	144,816	-	-	144,816
Management levy purposes	-	-	62,999	62,999
Student activities	-	-	56,186	56,186
Debt service	-	-	7	7
School infrastructure	-	520,712	-	520,712
Physical plant and equipment	-	521,516	-	521,516
Unassigned	1,217,215	-	-	1,217,215
Total fund balances	1,362,031	1,042,228	119,192	2,523,451
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,127,236</b>	<b>1,440,802</b>	<b>311,814</b>	<b>4,879,852</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

<b>Total fund balances of governmental funds(page 20)</b>	\$	2,523,451
 <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.		3,179,705
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		930
Accounts receivable income surtax, are not yet available to finance expenditures of the current period. to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		153,786
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:.		
Deferred outflows of resources	\$ 238,831	
Deferred inflows of resources	<u>(470,797)</u>	(231,966)
Long-term liabilities, including revenue bonds payable, net pension liability 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>(2,183,218)</u>
<b>Net position of governmental activities(page 18)</b>	\$	<u><u>3,442,688</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,479,715	300,893	99,917	1,880,525
Tuition	55,234	-	-	55,234
Other	134,805	26,550	154,994	316,349
State sources	1,850,934	317,312	2,281	2,170,527
Federal sources	117,993	-	-	117,993
Total revenues	<u>3,638,681</u>	<u>644,755</u>	<u>257,192</u>	<u>4,540,628</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,454,363	24,237	42,876	1,521,476
Special	445,833	-	-	445,833
Other	437,263	-	152,192	589,455
	<u>2,337,459</u>	<u>24,237</u>	<u>195,068</u>	<u>2,556,764</u>
Support services:				
Student	41,837	-	315	42,152
Instructional staff	156,789	4,105	8,780	169,674
Administration	311,498	6,238	5,428	323,164
Operation and maintenance of plant	264,457	30,540	62,897	357,894
Transportation	214,419	116,655	7,400	338,474
	<u>989,000</u>	<u>157,538</u>	<u>84,820</u>	<u>1,231,358</u>
Capital outlay	-	281,397	-	281,397
Long-term debt:				
Principal	-	-	96,000	96,000
Interest and fiscal charges	-	-	20,856	20,856
	<u>-</u>	<u>-</u>	<u>116,856</u>	<u>116,856</u>
Other expenditures:				
AEA flowthrough	134,838	-	-	134,838
Total expenditures	<u>3,461,297</u>	<u>463,172</u>	<u>396,744</u>	<u>4,321,213</u>
Excess(Deficiency) of revenues over(under) expenditures	177,384	181,583	(139,552)	219,415
Other financing sources:				
Transfers in	-	-	116,749	116,749
Transfers out	-	(116,749)	-	(116,749)
Sale of equipment	2,037	176,487	-	178,524
Total other financing sources	<u>2,037</u>	<u>59,738</u>	<u>116,749</u>	<u>178,524</u>
Change in fund balances	179,421	241,321	(22,803)	397,939
Fund balances beginning of year	1,182,610	800,907	141,995	2,125,512
Fund balances end of year	<u>\$ 1,362,031</u>	<u>1,042,228</u>	<u>119,192</u>	<u>2,523,451</u>

SEE NOTES TO FINANCIAL STATEMENTS

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2015

**Change in fund balances - total governmental funds(page 22)** \$ 397,939

*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, depreciation expense and loss on disposal during the year are as follows:

Capital outlay	\$ 377,741	
Depreciation expense	(288,791)	
Loss of disposal	(2,086)	86,864

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 930

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 96,000

Income surtax account receivable is not available revenue and is recognized as deferred inflows of resources in the governmental funds. 22,132

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 171,557

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.

Pension expense	(90,540)	
Termination benefits	51,656	
Net OPEB liability	(21,166)	(60,050)

**Change in net position of governmental activities(page 19)** \$ 715,372

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Business Type	
	Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
<b>Assets</b>		
Current assets:		
Cash and pooled investments	\$ 31,001	2,526
Inventories	1,795	-
<b>Total current assets</b>	<b>32,796</b>	<b>2,526</b>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	33,228	-
<b>Total assets</b>	<b>66,024</b>	<b>2,526</b>
<b>Deferred outflows of resources</b>		
Pension related deferred outflows	7,675	-
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	-	1,596
Salaries and benefits payable	9,730	-
Unearned revenue	2,293	-
<b>Total current liabilities</b>	<b>12,023</b>	<b>1,596</b>
Noncurrent liabilities:		
Net pension liability	41,087	-
Net OPEB liability	2,907	-
<b>Total noncurrent liabilities</b>	<b>43,994</b>	<b>-</b>
<b>Total liabilities</b>	<b>56,017</b>	<b>1,596</b>
<b>Deferred inflows of resources</b>		
Pension related deferred inflows	15,815	-
<b>Net Position</b>		
Net investment in capital assets	33,228	-
Unrestricted	(31,361)	930
<b>Total net position</b>	<b>\$ 1,867</b>	<b>930</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 91,737	-
Miscellaneous	1,983	11,560
Total operating revenues	<u>93,720</u>	<u>11,560</u>
Operating expenses:		
Support services:		
Administration:		
Services	139	10,630
Operation and maintenance of plant:		
Services	3,509	-
	<u>3,648</u>	<u>10,630</u>
Non-instructional programs:		
Food service operations:		
Salaries	61,993	-
Benefits	15,151	-
Supplies	89,785	-
Depreciation	5,172	-
Other	208	-
	<u>172,309</u>	<u>-</u>
Total operating expenses	<u>175,957</u>	<u>10,630</u>
Operating loss	<u>(82,237)</u>	<u>930</u>
Non-operating revenues(expenses):		
Loss on disposal of assets	(63)	
State sources	1,331	-
Federal sources	81,271	-
Interest income	71	-
Total non-operating revenues(expenses)	<u>82,610</u>	<u>-</u>
Change in net position before capital contributions	373	930
Capital contributions	<u>24,888</u>	<u>-</u>
Change in net position	25,261	930
Net position beginning of year, as restated	<u>(23,394)</u>	<u>-</u>
Net position end of year	<u>\$ 1,867</u>	<u>930</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 92,239	-
Cash received from miscellaneous	1,983	12,170
Cash payments to employees for services	(78,687)	-
Cash payments to suppliers for goods or services	(86,076)	(13,015)
Net cash used in operating activities	<u>(70,541)</u>	<u>(845)</u>
Cash flows from non-capital financing activities:		
State grants received	1,331	-
Federal grants received	74,148	-
Net cash provided by non-capital financing activities	<u>75,479</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	71	-
Net increase(decrease) in cash and cash equivalents	5,009	(845)
Cash and cash equivalents beginning of year	25,992	3,371
Cash and cash equivalents end of year	<u>\$ 31,001</u>	<u>2,526</u>
Reconciliation of operating income(loss) to net cash used in operating activities:		
Operating income/(loss)	\$ (82,237)	930
Adjustments to reconcile operating income(loss) to net cash used in operating activities:		
Commodities consumed	7,123	-
Depreciation	5,172	-
Decrease in inventories	1,962	-
Decrease in accounts receivable	-	610
Decrease in accounts payable	(1,520)	(2,385)
Increase in salaries and benefits payable	262	-
Increase in net OPEB liability	569	-
Decrease in net pension liability	(16,568)	-
Increase in deferred outflows of resources	(1,621)	-
Increase in deferred inflows of resources	15,815	-
Increase in unearned revenue	502	-
Net cash used in operating activities	<u>\$ (70,541)</u>	<u>(845)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received federal commodities valued at \$7,123.

During the year ended June 30, 2015, the District received \$24,888 of capital contributions from the Capital Projects: Physical Plant and Equipment Levy Fund

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$ 206,779
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Held in trust for scholarships	<u>\$ 206,779</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 6,642
Interest income	5,492
Total additions	<u>12,134</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>6,075</u>
Change in net position	6,059
Net position beginning of year	<u>200,720</u>
Net position end of year	<u><u>\$ 206,779</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**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 has a December 31<sup>st</sup> year end. The Booster Club is accounted for as a component unit on the Statement of Net Position and Statement of Activities. The Booster Club financial statements are unaudited.

**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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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 - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

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, 2015 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, 2015 the District had no investments.

## Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,714	-	-	3,714
Construction in progress	1,352,173	61,032	1,413,205	-
Total capital assets not being depreciated	1,355,887	61,032	1,413,205	3,714
Capital assets being depreciated:				
Buildings	1,545,366	1,567,315	5,400	3,107,281
Improvements other than buildings	2,419,466	16,425	-	2,435,891
Machinery and equipment	995,248	146,174	43,470	1,097,952
Total capital assets being depreciated	4,960,080	1,729,914	48,870	6,641,124
Less accumulated depreciation for:				
Buildings	1,355,832	61,862	3,314	1,414,380
Improvements other than buildings	1,124,000	123,977	-	1,247,977
Machinery and equipment	743,294	102,952	43,470	802,776
Total accumulated depreciation	3,223,126	288,791	46,784	3,465,133
Total capital assets being depreciated, net	1,736,954	1,441,123	2,086	3,175,991
Governmental activities capital assets, net	\$ 3,092,841	1,502,155	1,415,291	3,179,705
<b>Business type activities:</b>				
Machinery and equipment	\$ 95,453	24,888	1,524	118,817
Less accumulated depreciation	81,878	5,172	1,461	85,589
Business type activities capital assets, net	\$ 13,575	19,716	63	33,228

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 48,816
Other	9,022
Support services:	
Operation and maintenance of plant	2,850
Transportation	42,264
	102,952
Unallocated depreciation	185,839
Total governmental activities depreciation expense	\$ 288,791
Business type activities:	
Food service operations	\$ 5,172

**Note 4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 116,749</u>

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 5. Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 948,000	-	96,000	852,000	99,000
Termination benefits	51,656	-	51,656	-	-
Net pension liability	1,716,358	-	493,204	1,223,154	-
Net OPEB liability	86,898	21,166	-	108,064	-
Total	<u>\$ 2,802,912</u>	<u>21,166</u>	<u>640,860</u>	<u>2,183,218</u>	<u>99,000</u>
Business type activities:					
Net pension liability	\$ 57,655	-	16,568	41,087	-
Net OPEB liability	2,338	569	-	2,907	-
Total	<u>\$ 59,993</u>	<u>569</u>	<u>16,568</u>	<u>43,994</u>	<u>-</u>

**Revenue Bonds**

Details of the District's June 30, 2015 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
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	12,078	117,078
2020	2.20	107,000	9,768	116,768
2021-2023	2.20	337,000	14,938	351,938
Total		<u>\$ 852,000</u>	<u>86,438</u>	<u>938,438</u>

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 \$938,438. During the year ended June 30, 2015, \$96,000 of principal and \$20,856 of interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$313,164.

### Termination Benefits

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, 2015, totaled \$51,656. At June 30, 2015 the District did not have any outstanding termination benefits.

### Note 6. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$186,275.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$1,264,241 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was .031238 percent, which was a decrease of .000094 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$93,581. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,740	\$ -
Changes of assumptions	55,794	-
Net difference between projected and actual earnings on pension plan investments	-	482,145
Changes in proportion and differences between District contributions and proportionate share of contributions	-	4,467
District contributions subsequent to the measurement date	176,972	-
<b>Total</b>	<b>\$ 246,506</b>	<b>\$ 486,612</b>

\$176,972 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
June 30,	
2016	\$ (105,334)
2017	(105,334)
2018	(105,334)
2019	(105,334)
2020	4,258
	<u>\$ (417,078)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 2,388,747	\$ 1,264,241	\$ 315,041

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$21,658 for legally required employer contributions and \$14,431 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 27,505
Interest on net OPEB obligation	2,231
Adjustment to annual required contribution	(5,289)
Annual OPEB cost	<u>24,447</u>
Contributions made	<u>(2,712)</u>
Increase in net OPEB obligation	21,735
Net OPEB obligation beginning of year	<u>89,236</u>
Net OPEB obligation end of year	<u><u>\$ 110,971</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$2,712 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, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 23,730	13.70 %	\$ 69,189
2014	24,025	16.56	89,236
2015	24,447	11.09	110,971

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$168,889 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$168,889. The covered payroll (annual payroll of active employees covered by the plan) was \$1,578,613, and the ratio of the UAAL to covered payroll was 10.70%. As of June 30, 2015 there were no trust fund assets.

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, 2015 were \$277,506.

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 \$134,838 for the year ended June 30, 2015 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, 2015 are comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 15,130
Teacher salary supplement	2,895
Limited english proficient	1,783
Successful progression for early readers	10,340
Dropout and Dropout Prevention	13,986
Iowa Early Intervention Block Grant	14,647
Teacher leadership grants	3,238
Professional development	4,312
Four year old preschool state aid	78,485
Total	<u>\$ 144,816</u>

**Note 11. Accounting Change/Restatement Note**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the

transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 4,263,453	\$ 28,207
Net pension liability at June 30, 2014	(1,716,358)	(57,655)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	180,221	6,054
Net position July 1, 2014, as restated	<u>\$ 2,727,316</u>	<u>\$ (23,394)</u>

**Note 12. 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>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	1,217,215
Capital assets, net of accumulated depreciation	3,179,705	-
Revenue bond capitalized indebtedness	(852,000)	-
Termination benefits payable	-	-
Income surtax receivable	-	153,786
Internal Service Fund	-	930
Net pension liability	-	(1,223,154)
Pension related deferred outflows	-	238,831
Pension related deferred inflows	-	(470,797)
Net OPEB liability	-	(108,064)
Net position (Exhibit A)	<u>\$ 2,327,705</u>	<u>(191,253)</u>

**Note 13. Deficit Balances**

The District had deficit unrestricted net positions in the Governmental funds of \$191,253 and in The School Nutrition Fund of \$31,361. The primary reason for the deficit net position is due to the implementation of GASB Statement No. 68 and No. 71 during the year.

REQUIRED SUPPLEMENTARY INFORMATION

**ADAIR-CASEY COMMUNITY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES**  
**AND CHANGES IN BALANCES -**  
**BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS**  
**AND PROPRIETARY FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2015**

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 2,252,108	93,791	2,345,899	2,674,441	2,674,441	(328,542)
Intermediate sources	-	-	-	500	500	(500)
State sources	2,170,527	1,331	2,171,858	1,874,663	1,874,663	297,195
Federal sources	117,993	81,271	199,264	257,000	257,000	(57,736)
Total revenues	<u>4,540,628</u>	<u>176,393</u>	<u>4,717,021</u>	<u>4,806,604</u>	<u>4,806,604</u>	<u>(89,583)</u>
Expenditures/Expenses:						
Instruction	2,556,764	-	2,556,764	2,890,000	2,890,000	333,236
Support services	1,231,358	3,648	1,235,006	1,464,450	1,464,450	229,444
Non-instructional programs	-	172,372	172,372	209,750	209,750	37,378
Other expenditures	533,091	-	533,091	413,419	613,419	80,328
Total expenditures/expenses	<u>4,321,213</u>	<u>176,020</u>	<u>4,497,233</u>	<u>4,977,619</u>	<u>5,177,619</u>	<u>680,386</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	219,415	373	219,788	(171,015)	(371,015)	590,803
Other financing sources, net	<u>178,524</u>	<u>24,888</u>	<u>203,412</u>	<u>5,000</u>	<u>5,000</u>	<u>198,412</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	397,939	25,261	423,200	(166,015)	(366,015)	789,215
Balances beginning of year, as restated	<u>2,125,512</u>	<u>(23,394)</u>	<u>2,102,118</u>	<u>1,815,531</u>	<u>1,815,531</u>	<u>286,587</u>
Balances end of year	<u>\$ 2,523,451</u>	<u>1,867</u>	<u>2,525,318</u>	<u>1,649,516</u>	<u>1,449,516</u>	<u>1,075,802</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

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, 2015, the District adopted one budget amendment, increasing budgeted expenditures by \$200,000.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FISCAL YEAR\*  
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.031238%
District's proportionate share of the net pension liability	\$ 1,264,241
District's covered-employee payroll	\$ 1,981,775
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	63.79%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amount presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**ADAIR-CASEY COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 176,972	186,284	175,692	162,372	142,052	136,241	125,424	113,424	101,598	99,319
Contributions in relation to the statutorily required contribution	<u>(176,972)</u>	<u>(186,284)</u>	<u>(175,692)</u>	<u>(162,372)</u>	<u>(142,052)</u>	<u>(136,241)</u>	<u>(125,424)</u>	<u>(113,424)</u>	<u>(101,598)</u>	<u>(99,319)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>							
District's covered-employee payroll	\$ 1,981,775	2,086,047	2,026,436	2,012,045	2,043,914	1,960,302	1,975,181	1,874,777	1,766,922	1,727,287
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2015

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)
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%
2015	July 1, 2012	-	168,889	168,889	0.00	1,578,613	10.70%

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  
 SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION - CASH BASIS  
 COMPONENT UNIT  
 DECEMBER 31, 2014

	Booster Club
<b>Assets</b>	
Cash and pooled investments	\$ 34,299
<b>Liabilities</b>	
	-
<b>Net Position</b>	
Unrestricted net position	\$ 34,299

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES AND EXPENSES  
 AND CHANGES IN NET POSITION - CASH BASIS  
 COMPONENT UNIT  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Booster Club
Revenue:	
Interest	\$ 8
Donations	4,494
Fundraising	53,332
Total support and revenue	57,834
Expenses:	
Fundraising activities	58,955
Change in net position	(1,121)
Net position beginning of year	35,420
Net position end of year	\$ 34,299

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
<b>Assets</b>					
Cash and pooled investments	\$ 62,036	57,470	119,506	7	119,513
Receivables:					
Property tax:					
Delinquent	963	-	963	-	963
Succeeding year	190,001	-	190,001	-	190,001
Accounts	-	1,337	1,337	-	1,337
<b>Total assets</b>	<b>\$ 253,000</b>	<b>58,807</b>	<b>311,807</b>	<b>7</b>	<b>311,814</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	2,621	2,621	-	2,621
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	190,001	-	190,001	-	190,001
Fund balances:					
Restricted:					
Management levy purposes	62,999	-	62,999	-	62,999
Student activities	-	56,186	56,186	-	56,186
Debt service	-	-	-	7	7
Total fund balances	62,999	56,186	119,185	7	119,192
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 253,000</b>	<b>58,807</b>	<b>311,807</b>	<b>7</b>	<b>311,814</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 99,917	-	99,917	-	99,917
Other	3,644	151,280	154,924	70	154,994
State sources	2,281	-	2,281	-	2,281
Total revenues	105,842	151,280	257,122	70	257,192
Expenditures:					
Current:					
Instruction:					
Regular	42,876	-	42,876	-	42,876
Other	-	152,192	152,192	-	152,192
Support services:					
Student	-	315	315	-	315
Instructional staff	8,780	-	8,780	-	8,780
Administration	4,588	840	5,428	-	5,428
Operation and maintenance of plant	57,740	5,157	62,897	-	62,897
Transportation	7,400	-	7,400	-	7,400
Long-term debt:					
Principal	-	-	-	96,000	96,000
Interest and fiscal charges	-	-	-	20,856	20,856
Total expenditures	121,384	158,504	279,888	116,856	396,744
Deficiency of revenues under expenditures	(15,542)	(7,224)	(22,766)	(116,786)	(139,552)
Other financing sources:					
Transfer in	-	-	-	116,749	116,749
Change in fund balances	(15,542)	(7,224)	(22,766)	(37)	(22,803)
Fund balances beginning of year	78,541	63,410	141,951	44	141,995
Fund balances end of year	\$ 62,999	56,186	119,185	7	119,192

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services, and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 472,406	565,586	1,037,992
Receivables:			
Property tax:			
Delinquent	-	1,746	1,746
Succeeding year	-	275,865	275,865
Income surtax	-	76,893	76,893
Due from other governments	48,306	-	48,306
<b>Total assets</b>	<b>\$ 520,712</b>	<b>920,090</b>	<b>1,440,802</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	45,816	45,816
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	275,865	275,865
Income surtax	-	76,893	76,893
Total deferred inflows of resources	-	352,758	352,758
Fund balances:			
Restricted for:			
School infrastructure	520,712	-	520,712
Physical plant and equipment	-	521,516	521,516
Total fund balances	520,712	521,516	1,042,228
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 520,712</b>	<b>920,090</b>	<b>1,440,802</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	300,893	300,893
Other	971	25,579	26,550
State sources	313,164	4,148	317,312
Total revenues	<u>314,135</u>	<u>330,620</u>	<u>644,755</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	24,237	24,237
Support services:			
Student	-	4,105	4,105
Administration	-	6,238	6,238
Operation and maintenance of plant	-	30,540	30,540
Transportation	-	116,655	116,655
Capital outlay	61,032	220,365	281,397
Total expenditures	<u>61,032</u>	<u>402,140</u>	<u>463,172</u>
Excess(Deficiency) of revenues over(under) expenditures	253,103	(71,520)	181,583
Other financing sources(uses):			
Insurance proceeds	-	176,487	176,487
Transfer out	(116,749)	-	(116,749)
Total other financing sources(uses)	<u>(116,749)</u>	<u>176,487</u>	<u>59,738</u>
Change in fund balances	136,354	104,967	241,321
Fund balances beginning of year	<u>384,358</u>	<u>416,549</u>	<u>800,907</u>
Fund balances end of year	<u>\$ 520,712</u>	<u>521,516</u>	<u>1,042,228</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama/SP	\$ 661	224	624	165	426
Vocal	39	190	152	-	77
Band	23	190	187	-	26
Athletics	39,191	45,272	46,062	-	38,401
Volleyball Camp	1,284	2,040	797	-	2,527
Class of 2014	1,228	-	-	(1,228)	-
Class of 2015	4,605	17,910	23,378	1,228	365
Class of 2016	1,070	11,896	6,209	-	6,757
Class of 2017	-	4,981	3,447	-	1,534
Annual	240	1,543	879	-	904
Cheerleading Football	3,011	6,837	9,719	-	129
Drill Team	211	1,007	1,146	-	72
FFA	3,574	29,809	33,064	-	319
Music Boosters	1,704	3,715	2,744	-	2,675
National Honor Society	1,266	2,053	2,525	-	794
Travel Abroad	4,333	20,624	24,830	(127)	-
Student Council	970	2,738	2,605	-	1,103
Interest	-	251	136	(38)	77
Total	\$ 63,410	151,280	158,504	-	56,186

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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 1,880,525	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
Tuition	55,234	43,462	69,585	60,915	93,936	73,490	131,410	142,179	111,963	101,970
Other	316,349	351,907	361,428	257,487	403,765	258,679	287,722	268,126	244,358	224,042
Intermediate sources	-	-	-	-	1,650	1,199	118	483	3,868	980
State sources	2,170,527	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
Federal sources	117,993	139,430	146,003	173,234	218,112	385,337	132,710	162,589	174,598	138,220
<b>Total</b>	<b>\$ 4,540,628</b>	<b>4,608,631</b>	<b>4,495,750</b>	<b>4,379,202</b>	<b>4,413,941</b>	<b>3,957,492</b>	<b>4,082,571</b>	<b>3,980,470</b>	<b>3,617,740</b>	<b>3,319,767</b>
Expenditures:										
Instruction:										
Regular	\$ 1,521,476	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
Special	445,833	485,957	466,861	462,923	425,667	411,139	434,428	408,137	358,292	305,131
Other	589,455	561,231	592,681	543,445	524,595	627,343	502,549	489,381	438,391	426,870
Support services:										
Student	46,257	45,146	44,581	44,604	35,503	17,035	13,891	13,779	11,325	10,150
Instructional staff	165,031	160,189	144,409	214,291	276,695	152,694	161,072	154,117	175,322	110,732
Administration	323,702	313,742	321,872	388,277	348,448	350,408	354,886	318,809	322,818	412,406
Operation and maintenance of plant	357,894	324,770	330,082	333,882	360,262	369,770	374,175	343,068	309,887	277,026
Transportation	338,474	302,547	337,115	207,378	222,107	201,475	197,514	218,891	317,121	161,655
Non-instructional programs:										
Food service operations	-	-	-	530	-	-	-	-	-	-
Capital outlay	281,397	1,417,178	272,638	298,501	251,076	87,770	405,651	12,140	37,740	30,594
Long-term debt:										
Principal	96,000	74,000	-	-	45,000	112,070	145,898	140,928	136,147	173,362
Interest	20,856	23,296	-	-	1,856	6,936	13,343	20,487	27,291	35,561
Other expenditures:										
AEA flow-through	134,838	136,496	130,133	128,250	142,037	135,600	128,249	118,199	104,983	101,252
<b>Total</b>	<b>\$ 4,321,213</b>	<b>5,437,731</b>	<b>4,212,037</b>	<b>4,369,914</b>	<b>4,015,663</b>	<b>3,990,846</b>	<b>4,176,833</b>	<b>3,621,853</b>	<b>3,454,507</b>	<b>3,188,316</b>

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, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 22, 2016.

**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 a deficiency 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-15 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, 2015 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 22, 2016  
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-15 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-15 Certified Budget - District disbursements for the year ended June 30, 2015 did not exceed the amounts budgeted in any of the functional areas.

II-B-15 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-15 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-15 Business Transactions - Business transactions between the District and District Officials or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mark Williams, Board Member Bus Driver	Employee	\$2,485

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with Board Member Mark Williams do not appear to represent a conflict of interest.

- II-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-15 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-15 Supplementary Weighting - We noted no variance in the supplementary weighting certified to the Iowa Department of Education.
- II-I-15 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-15 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-15 Categorical Funding - We noted no instances of categorical funding being used to supplant rather than supplement other funds.
- II-L-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	384,358
Revenues:			
Sales tax revenues	\$	313,164	
Other local revenues		971	314,135
			<u>698,493</u>
Expenditures:			
School infrastructure construction		61,032	
Transfers to other funds:			
Debt service fund		116,749	177,781
			<u>177,781</u>
Ending balance			<u>\$ 520,712</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-15 Student Activity Fund - We noted scholarships awarded and paid within the Student Activity Fund. Money in the Student Activity Fund is considered to be public funds and is inappropriate to be given to individuals.

Recommendation - When fundraising takes place, the District should deposit the proceeds into the appropriate fund. Moneys fundraised for scholarships should be receipted and expensed from the Private Purpose Trust Fund. Furthermore, scholarships should not be paid from the Student Activity Fund as those expenses as not extracurricular or co-curricular in nature.

Response - All money raised for scholarships will be receipted and expensed from the private purpose trust fund.

Conclusion - Response accepted.

II-N-15 Financial Condition - At June 30, 2015, the District had deficit unrestricted net positions of \$31,361 in the Enterprise, School Nutrition Fund and \$191,253 in its governmental activities. The primary reason for the deficit net positions in the School Nutrition Fund and the District's governmental activities is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and No. 71 will affect the District's financials moving forward.

Response - The District's Administration and Board of Education have been advised in regards to GASB statements No. 68 and No. 71 and the affect they have on the financial statements.

Conclusion - Response accepted.