

ATLANTIC COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

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Atlantic Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 election)		
Phil Hascall	President	2008
Jody Lorence	Vice President	2009
Dennis Davis	Board Member	2010
Jon Martens	Board Member	2008
Glen Smith	Board Member (Resigned)	2009
Kristy Pellett	Board Member (Elected to fill vacancy)	2009
Board of Education (After September 2008 election)		
Phil Hascall	President	2011
Jody Lorence	Vice President	2009
Dennis Davis	Board Member	2011 *
Jon Martens	Board Member	2011
Kristy Pellett	Board Member	2009
School Officials		
Dr. Wendy Prigge	Superintendent	2009
Lori Robertson	District Secretary and Business Manager	2009
Melinda McDermott	District Treasurer	2009
Dave Chase	Attorney	2009
Brian Gruhn	Attorney	2009

* Board term altered per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Atlantic Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Atlantic Community School District, Atlantic, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Atlantic Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

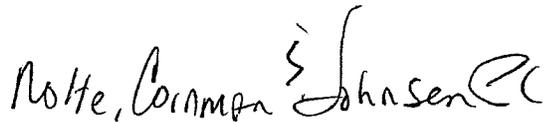
In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2010 on our consideration of the Atlantic Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 37 through 39 are not required parts of the

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basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Atlantic Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for five years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Atlantic 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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased to \$13,926,649 in fiscal year 2009 from \$12,963,142 in fiscal year 2008, while General Fund expenditures increased from \$13,824,580 in fiscal 2008 to \$14,712,976 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$1,844,141 in fiscal 2008 to \$1,057,814 in fiscal 2009, a 42.64% decrease from prior year.
- The increase in General fund revenues was attributed to an increase in state funding and local taxes. The increase in expenditures was attributed to more expenses in the instruction and support service areas. This was due to an increase in negotiated salaries and benefits, the addition of staff and increased fuel costs.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) stayed the same as the previous year at approximately 6.08%. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Atlantic 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 Atlantic 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 Atlantic Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

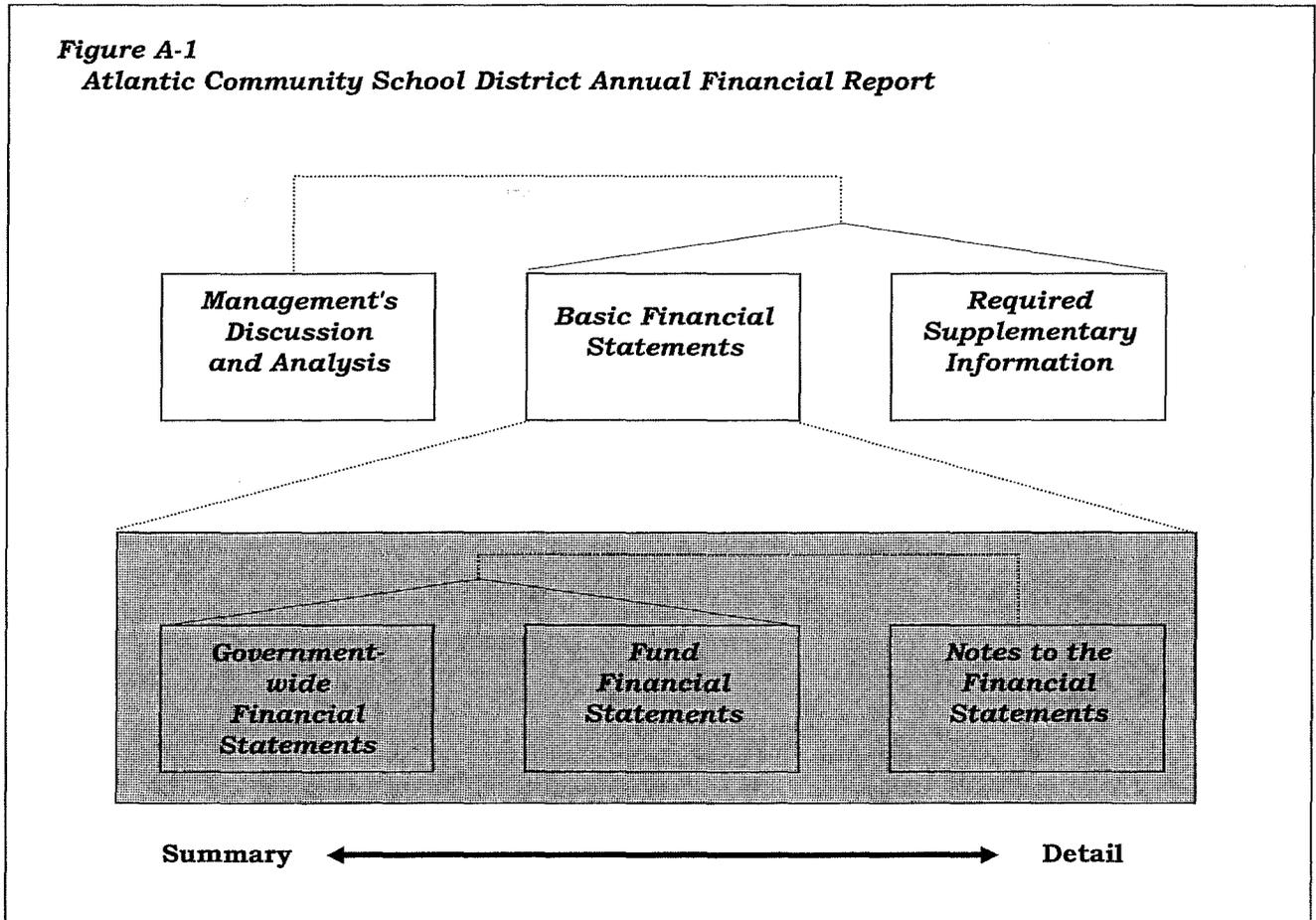


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund
- Agency Fund – These are funds for which the District administers and accounts for parent prom, SWIA honor band, Ag Ed Advisory and Medicaid.

The District is responsible for ensuring that 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 District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 12,266,040	12,271,274	294,385	273,592	12,560,425	12,544,866	0.12%
Capital assets	12,973,734	11,123,827	88,279	58,910	13,062,013	11,182,737	16.81%
Total assets	25,239,774	23,395,101	382,664	332,502	25,622,438	23,727,603	7.99%
Long-term obligations	2,675,594	3,010,629	0	0	2,675,594	3,010,629	-11.13%
Other liabilities	7,450,187	5,975,279	7,358	7,063	7,457,545	5,982,342	24.66%
Total liabilities	10,125,781	8,985,908	7,358	7,063	10,133,139	8,992,971	12.68%
Net assets:							
Invested in capital assets, net of related debt	10,469,818	8,178,827	88,279	58,910	10,558,097	8,237,737	28.17%
Restricted	3,207,709	3,809,020	0	0	3,207,709	3,809,020	-15.79%
Unrestricted	1,436,466	2,421,346	287,027	266,529	1,723,493	2,687,875	-35.88%
Total net assets	\$ 15,113,993	14,409,193	375,306	325,439	15,489,299	14,734,632	5.12%

The District's combined net assets increased by 5.12%, or \$754,667, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$601,311, or 15.79% over the prior year. The decrease was primarily a result of the District's decrease in Capital Projects fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$964,382, or 35.88%. This decrease in unrestricted net assets is primarily a result of using carryover balance in the General Fund to meet District obligations.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,435,422	1,395,863	423,671	390,730	1,859,093	1,786,593	4.06%
Operating grants and contributions and restricted interest	2,420,443	1,895,010	347,123	324,111	2,767,566	2,219,121	24.71%
Capital grants and contributions and restricted interest	50,600	62,000	0	0	50,600	62,000	-18.39%
General revenues:							
Property tax	4,733,962	4,538,133	0	0	4,733,962	4,538,133	4.32%
Income surtax	648,079	578,975	0	0	648,079	578,975	11.94%
Statewide sales and services tax	1,093,825	858,997	0	0	1,093,825	858,997	27.34%
Unrestricted state grants	6,102,599	6,071,988	0	0	6,102,599	6,071,988	0.50%
Other	176,512	314,539	3,410	7,904	179,922	322,443	-44.20%
Transfers	(20,869)	(5,556)	0	5,556	(20,869)	0	-100.00%
Total revenues and transfers	16,640,573	15,709,949	774,204	728,301	17,414,777	16,438,250	5.94%
Program expenses:							
Governmental activities:							
Instruction	10,564,452	9,931,133	0	0	10,564,452	9,931,133	6.38%
Support services	4,341,158	4,242,155	7,291	7,820	4,348,449	4,249,975	2.32%
Non-instructional programs	12,644	6,812	717,046	670,626	729,690	677,438	7.71%
Other expenditures	1,017,519	1,140,127	0	0	1,017,519	1,140,127	-10.75%
Total expenses	15,935,773	15,320,227	724,337	678,446	16,660,110	15,998,673	4.13%
Changes in net assets	704,800	389,722	49,867	49,855	754,667	439,577	71.68%
Beginning net assets	14,409,193	14,019,471	325,439	275,584	14,734,632	14,295,055	3.08%
Ending net assets	\$ 15,113,993	14,409,193	375,306	325,439	15,489,299	14,734,632	5.12%

In fiscal 2009, local tax (property tax, income surtax and local option (statewide) sales and service tax) and unrestricted state grants accounted for 75.59% of the revenue from governmental activities while charges for services and operating grants and contributions account for approximately 99.56% of the revenue from business type activities.

The District's total revenues were approximately \$17.41 million of which \$16.64 million was for governmental activities and \$0.77 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 5.94% in revenues and a 4.13% increase in expenses. The increase in expenses was related to the increase in negotiated salaries and benefits during the year and the expense related to the net OPEB liability.

Governmental Activities

Revenues for governmental activities were \$16,640,573 and expenses were \$15,935,773.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change	2009	2008	Change
			2008-09			2008-09
Instruction	\$ 10,564,452	9,931,133	6.38%	7,249,944	7,131,289	1.66%
Support services	4,341,158	4,242,155	2.33%	4,318,793	4,227,767	2.15%
Non-instructional programs	12,644	6,812	85.61%	12,644	6,812	85.61%
Other expenses	1,017,519	1,140,127	-10.75%	447,927	601,486	-25.53%
Totals	<u>\$ 15,935,773</u>	<u>15,320,227</u>	<u>4.02%</u>	<u>12,029,308</u>	<u>11,967,354</u>	<u>0.52%</u>

- The cost financed by users of the District's programs was \$1,435,422.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,471,043.
- The net cost of governmental activities was financed with \$4,733,962 in property tax, \$648,079 in income surtax, \$1,093,825 in local option (statewide) sales and service tax, \$6,102,599 in unrestricted state grants, \$96,696 in interest income and \$58,947 in other general revenues and transfers.

Business type Activities

Revenues of the District's business type activities were \$774,204 and expenses were \$724,337. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Atlantic 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 balances of \$4,115,719, below last year's ending fund balances of \$5,595,684. However, the primary reason for the decrease in combined fund balances in fiscal 2009 is due to decreases in fund balances of the General Fund and the Capital Projects Fund.

Governmental Fund Highlights

- The District's decrease in General Fund financial position from \$1,844,141 in fiscal 2008 to \$1,057,814 in fiscal 2009 is a product of many factors. Revenues increased due to the increases in local tax and state and federal grants. The District's increase in General Fund expenditures was primarily due the increase in negotiated salaries and benefits, additional staff and increased energy costs.
- The Capital Projects Fund balance decreased from \$2,829,200 in fiscal 2008 to \$2,097,372 in fiscal 2009 due to completion of the roof on the Lincoln building and the middle school elevator project. The District also began the HVAC improvement projects on the Washington Elementary building.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$325,439 at June 30, 2008 to \$375,306 at June 30, 2009, representing an increase of 15.32%. Fund revenues being greater than fund expenditures enabled the fund to increase overall.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Atlantic Community School District amended its budget one time to reflect additional expenditures in the instruction functional area.

The District's revenues were \$517,293 more than budgeted revenues, a variance of 3.06%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Initially, total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenses functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$13.06 million, 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 16.81% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$348,592.

The original cost of the District's capital assets was \$21.57 million. Governmental funds account for approximately \$21.30 million with the remainder of approximately \$0.27 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$38,965 at June 30, 2008 as compared to \$1,219,943 at June 30, 2009. This significant increase resulted from the HVAC project that was started at Washington Elementary during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 928,419	928,419	0	0	928,419	928,419	0.00%
Construction in progress	1,219,943	38,965	0	0	1,219,943	38,965	3030.87%
Buildings	9,773,205	9,198,101	0	0	9,773,205	9,198,101	6.25%
Land improvements	602,910	631,034	0	0	602,910	631,034	-4.46%
Machinery and equipment	449,257	327,308	88,279	58,910	537,536	386,218	39.18%
Total	\$ 12,973,734	11,123,827	88,279	58,910	13,062,013	11,182,737	16.81%

Long-Term Debt

At June 30, 2009, the District had \$2,675,594 in general obligation bonds payable, bus lease payable and other long-term debt outstanding. This represents a decrease of 11.13% 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 outstanding general obligation bonds of \$2,330,000 at June 30, 2009.

The District had total outstanding early retirement payable from the Special Revenue, Management Levy of \$61,157 at June 30, 2009.

The District had total outstanding compensated absences payable of \$49,593 at June 30, 2009.

The District also had a net OPEB liability of \$60,928 created by the implementation of GASB 45.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2009	2008	2008-09
General Obligation Bonds	\$ 2,330,000	2,945,000	-20.88%
Bus Lease	173,916	0	100.00%
Early Retirement	61,157	44,874	36.29%
Compensated Absences	49,593	20,755	138.94%
Net OPEB Liability	60,928	0	100.00%
Totals	\$ 2,675,594	3,010,629	-11.13%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.
- The District has experienced declining enrollment for a few years and expects the trend to continue.
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the Atlantic Community Schools employer benefit costs over the next four years.
- The District continues to have high health insurance claims which in turn raise the cost of premiums that need to be paid. The rise in costs of premiums will have an adverse effect on General Fund.

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 Lori Robertson, Business Manager/Board Secretary, Atlantic Community School District, 1100 Linn Street, Atlantic, Iowa, 50022.

BASIC FINANCIAL STATEMENTS

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 5,589,911	279,034	5,868,945
Receivables:			
Property tax:			
Delinquent	53,348	0	53,348
Succeeding year	5,012,022	0	5,012,022
Income surtax	722,073	0	722,073
Accounts	25,851	586	26,437
Due from other governments	862,835	1,234	864,069
Inventories	0	13,531	13,531
Capital assets, net of accumulated depreciation	12,973,734	88,279	13,062,013
Total Assets	25,239,774	382,664	25,622,438
Liabilities			
Accounts payable	1,056,876	471	1,057,347
Salaries and benefits payable	1,346,113	0	1,346,113
Accrued interest payable	21,939	0	21,939
Deferred revenue:			
Succeeding year property tax	5,012,022	0	5,012,022
Other	13,237	0	13,237
Unearned revenue	0	6,887	6,887
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	640,000	0	640,000
Bus lease payable	41,151	0	41,151
Early retirement	61,157	0	61,157
Compensated absences	49,593	0	49,593
Portion due after one year:			
General obligation bonds payable	1,690,000	0	1,690,000
Bus lease payable	132,765	0	132,765
Net OPEB liability	60,928	0	60,928
Total Liabilities	10,125,781	7,358	10,133,139
Net Assets			
Invested in capital assets, net of related debt	10,469,818	88,279	10,558,097
Restricted for:			
Debt service	164,536	0	164,536
Categorical funding	210,961	0	210,961
Management levy	134,465	0	134,465
Physical plant and equipment levy	552,723	0	552,723
Capital projects	2,097,372	0	2,097,372
Other special revenue purposes	47,652	0	47,652
Unrestricted	1,436,466	287,027	1,723,493
Total Net Assets	\$ 15,113,993	375,306	15,489,299

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,315,963	741,353	1,431,879	0	(4,142,731)	0	(4,142,731)
Special	2,635,392	451,163	445,027	0	(1,739,202)	0	(1,739,202)
Other	1,613,097	220,541	24,545	0	(1,368,011)	0	(1,368,011)
	10,564,452	1,413,057	1,901,451	0	(7,249,944)	0	(7,249,944)
Support services:							
Student	429,205	0	0	0	(429,205)	0	(429,205)
Instructional staff	599,172	0	0	0	(599,172)	0	(599,172)
Administration	1,460,932	0	0	0	(1,460,932)	0	(1,460,932)
Operation and maintenance of plant	1,293,326	0	0	0	(1,293,326)	0	(1,293,326)
Transportation	558,523	22,365	0	0	(536,158)	0	(536,158)
	4,341,158	22,365	0	0	(4,318,793)	0	(4,318,793)
Non-instructional programs:							
Food service operations	12,644	0	0	0	(12,644)		(12,644)
Other expenditures:							
Facilities acquisitions	180,920	0	0	50,600	(130,320)	0	(130,320)
Long-term debt interest	130,750	0	0	0	(130,750)	0	(130,750)
AEA flowthrough	518,992	0	518,992	0	0	0	0
Depreciation (unallocated)*	186,857	0	0	0	(186,857)	0	(186,857)
	1,017,519	0	518,992	50,600	(447,927)	0	(447,927)
Total governmental activities	15,935,773	1,435,422	2,420,443	50,600	(12,029,308)	0	(12,029,308)
Business Type activities:							
Support services:							
Operation and maintenance of plant	2,951	0	0	0	0	(2,951)	(2,951)
Transportation	4,340	0	0	0	0	(4,340)	(4,340)
	7,291	0	0	0	0	(7,291)	(7,291)
Non-instructional programs:							
Food service operations	717,046	423,671	347,123	0	0	53,748	53,748
Total business type activities	724,337	423,671	347,123	0	0	46,457	46,457
Total	\$ 16,660,110	1,859,093	2,767,566	50,600	(12,029,308)	46,457	(11,982,851)
General Revenues and Transfers:							
General Revenues:							
Property tax levied for:							
General purposes				\$ 3,656,768	0		3,656,768
Debt service				669,818	0		669,818
Capital outlay				407,376	0		407,376
Income surtax				648,079	0		648,079
Statewide sales and services tax				1,093,825	0		1,093,825
Unrestricted state grants				6,102,599	0		6,102,599
Unrestricted investment earnings				96,696	3,410		100,106
Other general revenues				79,816	0		79,816
Transfers				(20,869)	0		(20,869)
Total general revenues and transfers				12,734,108	3,410		12,737,518
Changes in net assets				704,800	49,867		754,667
Net assets beginning of year				14,409,193	325,439		14,734,632
Net assets end of year				\$ 15,113,993	375,306		15,489,299

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

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,900,580	2,726,394	962,937	5,589,911
Receivables:				
Property tax:				
Delinquent	41,357	0	11,991	53,348
Succeeding year	3,977,129	0	1,034,893	5,012,022
Income surtax	529,520	0	192,553	722,073
Accounts	19,307	0	6,544	25,851
Due from other governments	669,901	192,934	0	862,835
Total Assets	\$ 7,137,794	2,919,328	2,208,918	12,266,040
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 213,981	821,956	20,939	1,056,876
Salaries and benefits payable	1,346,113	0	0	1,346,113
Deferred revenue:				
Succeeding year property tax	3,977,129	0	1,034,893	5,012,022
Income surtax	529,520	0	192,553	722,073
Other	13,237	0	0	13,237
Total liabilities	6,079,980	821,956	1,248,385	8,150,321
Fund balances:				
Reserved for:				
Debt service	0	0	164,536	164,536
Categorical funding	210,961	0	0	210,961
Unreserved	846,853	2,097,372	795,997	3,740,222
Total fund balances	1,057,814	2,097,372	960,533	4,115,719
Total Liabilities and Fund Balances	\$ 7,137,794	2,919,328	2,208,918	12,266,040

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 15)	\$	4,115,719
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		12,973,734
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		722,073
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(21,939)
Long-term liabilities, including bonds payable, bus lease payable, early retirement, compensated absences and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(2,675,594)</u>
Net assets of governmental activities (page 13)	\$	<u>15,113,993</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 4,130,119	1,093,825	1,251,922	6,475,866
Tuition	1,136,351	0	0	1,136,351
Other	229,554	56,931	331,367	617,852
State sources	7,681,600	0	748	7,682,348
Federal sources	743,984	0	0	743,984
Total revenues	<u>13,921,608</u>	<u>1,150,756</u>	<u>1,584,037</u>	<u>16,656,401</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,205,525	0	46,771	6,252,296
Special	2,622,408	0	0	2,622,408
Other	1,325,575	0	273,094	1,598,669
	<u>10,153,508</u>	<u>0</u>	<u>319,865</u>	<u>10,473,373</u>
Support services:				
Student	426,546	0	0	426,546
Instructional staff	594,531	0	0	594,531
Administration	1,417,778	0	35,563	1,453,341
Operation and maintenance of plant	1,165,333	0	95,469	1,260,802
Transportation	436,288	0	276,629	712,917
	<u>4,040,476</u>	<u>0</u>	<u>407,661</u>	<u>4,448,137</u>
Non-instructional programs:				
Food service operations	0	0	12,644	12,644
Other expenditures:				
Facilities acquisitions	0	1,807,584	288,151	2,095,735
Long-term debt:				
Principal	0	0	615,000	615,000
Interest and fiscal charges	0	0	130,573	130,573
AEA flowthrough	518,992	0	0	518,992
	<u>518,992</u>	<u>1,807,584</u>	<u>1,033,724</u>	<u>3,360,300</u>
Total expenditures	<u>14,712,976</u>	<u>1,807,584</u>	<u>1,773,894</u>	<u>18,294,454</u>
Deficiency of revenues under expenditures	(791,368)	(656,828)	(189,857)	(1,638,053)
Other financing sources(uses):				
Sale of equipment	5,041	0	0	5,041
Transfer in	0	0	75,000	75,000
Transfer out	0	(75,000)	(20,869)	(95,869)
Lease proceeds	0	0	173,916	173,916
Total other financing sources(uses)	<u>5,041</u>	<u>(75,000)</u>	<u>228,047</u>	<u>158,088</u>
Net change in fund balances	(786,327)	(731,828)	38,190	(1,479,965)
Fund balances beginning of year	1,844,141	2,829,200	922,343	5,595,684
Fund balances end of year	<u>\$ 1,057,814</u>	<u>2,097,372</u>	<u>960,533</u>	<u>4,115,719</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ (1,479,965)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Capital outlays	\$ 2,185,102	
Depreciation expense	<u>(335,195)</u>	1,849,907

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year debt issuances and repayments are as follows:

Issued	\$ (173,916)	
Repaid	<u>615,000</u>	441,084

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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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, as follows:

Early retirement	\$ (16,283)	
Compensated absences	(28,838)	
Other postemployment benefits	<u>(60,928)</u>	<u>(106,049)</u>

Changes in net assets of governmental activities (page 14) \$ 704,800

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	School Nutrition
Assets	
Cash and cash equivalents	\$ 279,034
Accounts receivable	586
Due from other governments	1,234
Inventories	13,531
Capital assets, net of accumulated depreciation	88,279
Total Assets	382,664
 Liabilities	
Accounts payable	471
Unearned revenues	6,887
Total Liabilities	7,358
 Net Asset	
Invested in capital assets	88,279
Unrestricted	287,027
Total Net Asset	\$ 375,306

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 423,671
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Services	2,861
Supplies	90
Transportation:	
Salaries	3,807
Benefits	533
	7,291
Non-instructional programs:	
Food service operations:	
Salaries	280,402
Benefits	40,830
Services	6,319
Supplies	376,098
Depreciation	13,397
	717,046
TOTAL OPERATING EXPENSES	724,337
OPERATING LOSS	(300,666)
NON-OPERATING REVENUES:	
State sources	7,766
Federal sources	339,357
Interest income	3,410
TOTAL NON-OPERATING REVENUES	350,533
Change in net assets	49,867
Net assets beginning of year	325,439
Net assets end of year	\$ 375,306

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 421,478
Cash received from miscellaneous sources	1,459
Cash paid to employees for services	(325,572)
Cash paid to suppliers for goods or services	(344,496)
Net cash used in operating activities	(247,131)
Cash flows from non-capital financing activities:	
State grants received	7,766
Federal grants received	293,919
Net cash provided by non-capital financing activities	301,685
Cash flows from investing activities:	
Interest on investments	3,410
Cash flows from capital financing activities:	
Purchase of assets	(42,766)
Net increase in cash and cash equivalents	15,198
Cash and cash equivalents at beginning of year	263,836
Cash and cash equivalents at end of year	\$ 279,034
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (300,666)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	44,204
Depreciation	13,397
Increase in inventories	(3,801)
Increase in accounts receivable	(560)
Increase in accounts payable	469
Decrease in unearned revenue	(174)
Net cash used in operating activities	\$ (247,131)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$44,204.

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Private Purpose Trust	Agency
	Scholarship	
Assets		
Cash and pooled investments	\$ 156,228	3,766
Liabilities		
Due to other groups	0	3,766
Net Assets		
Restricted for scholarships	124,810	0
Unrestricted	31,418	0
Total Net Assets	\$ 156,228	0

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust
	Scholarship
ADDITIONS:	
Local sources:	
Interest	\$ 4,621
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	2,750
Change in net assets before other financing sources	1,871
Other financing sources:	
Transfer in	20,869
Change in net assets	22,740
Net assets beginning of year	133,488
Net assets end of year	\$ 156,228

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(1) **Summary of Significant Accounting Policies**

The Atlantic Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Atlantic, Iowa, and the predominate agricultural territory in Cass, Audubon and Pottawattamie 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, Atlantic 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. The Atlantic Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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 Cass County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are 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.

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.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

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.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

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, and claims and judgments, 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 terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for extra duties and curriculum work for the current school year, which is paid in July and August have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial

statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, District expenditures in the other expenditures functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 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; 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Iowa Schools Joint Investment Trust	\$ 118,756

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Services.

(3) Transfers

The detail of interfund transfers for year end June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 75,000
Private-Purpose Trust	Expendable Trust	20,869
Total		<u>\$ 95,869</u>

The Capital Projects transferred \$75,000 to Debt Service for debt relief. The Expendable Trust transferred \$20,869 to the Private Purpose Trust for reclassification purposes.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 231,522	42,766	0	274,288
Less accumulated depreciation	172,612	13,397	0	186,009
Business type activities capital assets, net	<u>\$ 58,910</u>	<u>29,369</u>	<u>0</u>	<u>88,279</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 928,419	0	0	928,419
Construction in progress	38,965	1,874,147	693,169	1,219,943
Total capital assets not being depreciated	967,384	1,874,147	693,169	2,148,362
Capital assets being depreciated:				
Buildings	14,679,376	693,169	0	15,372,545
Land improvements	1,385,169	40,668	0	1,425,837
Machinery and equipment	2,081,186	270,287	0	2,351,473
Total capital assets being depreciated	18,145,731	1,004,124	0	19,149,855
Less accumulated depreciation for:				
Buildings	5,481,275	118,065	0	5,599,340
Land improvements	754,135	68,792	0	822,927
Machinery and equipment	1,753,878	148,338	0	1,902,216
Total accumulated depreciation	7,989,288	335,195	0	8,324,483
Total capital assets being depreciated, net	10,156,443	668,929	0	10,825,372
Governmental activities capital assets, net	\$ 11,123,827	2,543,076	693,169	12,973,734

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 13,287
Special		3,143
Other		12,211
Support services:		
Operation and maintenance of plant		19,297
Transportation		100,400
		148,338
Unallocated depreciation		186,857
Total governmental activities depreciation expense		\$ 335,195
Business type activities:		
Food services		\$ 13,397

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 2,945,000	0	615,000	2,330,000	640,000
Bus Lease	0	173,916	0	173,916	41,151
Early Retirement	44,874	61,157	44,874	61,157	61,157
Compensated Absences	20,755	49,593	20,755	49,593	49,593
Net OPEB Liability	0	60,928	0	60,928	0
Total	\$ 3,010,629	345,594	680,629	2,675,594	791,901

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of June 1, 2001		
		Principal	Interest	Total
2010	4.35 %	\$ 640,000	104,436	744,436
2011	4.45	660,000	76,596	736,596
2012	4.55	670,000	47,226	717,226
2013	4.65	360,000	16,740	376,740
Total		\$ 2,330,000	244,998	2,574,998

Bus Lease Payable

During the year ended June 30, 2009, the District entered into a lease with Blue Bird Body Company for three buses. Principal and interest payments will be made from the Physical Plant and Equipment Levy Fund.

Details of the District's June 30, 2009 bus lease payable are as follows:

Year Ending June 30,	Interest Rates	Bus Lease October 16, 2008		
		Principal	Interest	Total
2010	3.68 %	\$ 41,151	6,400	47,551
2011	3.68	42,666	4,885	47,551
2012	3.68	44,236	3,315	47,551
2013	3.68	45,863	1,688	47,551
Total		\$ 173,916	16,288	190,204

Early Retirement

The District offers a voluntary early retirement plan to all full-time certified District employees. An employee is deemed eligible if they have completed at least fifteen years of full-time contracted service and will have attained at least fifty-seven years of age on or before August 15, 2009. A written resignation and an application for participation must be submitted to the Board of Education by January 15, 2009 for qualification into the program.

Benefits to be paid to prospective early retirees is calculated by the lesser of \$20,000 or the difference between the employee's 2008-09 salary excluding payments not included in the salary schedule and the 2007-08 BA Step 7 rate of pay. Retirees may elect to continue their existing health insurance coverage with the District as long as monthly premiums are paid to the District's Central Office (before the District makes the premium payment) and are permitted to continue coverage by the District's insurer.

A liability has been recorded in the Government-wide financial statements representing the District's commitment to fund non-current early retirement. Early retirement incentives paid during the year ended June 30, 2009 totaled \$44,874.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$587,912, \$504,477 and \$448,523 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 161 active and 7 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Midland. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 of the District (ARC), an amount actuarially determined in

accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 60,928
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	60,928
Contributions made	0
Increase in net OPEB obligation	60,928
Net OPEB obligation - beginning of year	0
 Net OPEB obligation - end of year	 \$ 60,928

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2009.

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, 2009 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 60,928	0%	\$ 60,928

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$0.795 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.795 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.737 million, and the ratio of the UAAL to the covered payroll was 11.8%. As of June 30, 2009, 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 events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are 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, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2008 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2008. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Atlantic Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$518,992 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

The District has entered into various contracts totaling \$1,956,500 for HVAC improvements to the Washington Elementary building. As of June 30, 2009, costs of \$1,219,943 had been incurred against the contracts. The balance of \$736,557 remaining at June 30, 2009 will be paid as work on the project progresses. The total cost of the improvement will be added to the District's fixed asset listing once the project is completed.

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2009, expenditures in the other expenditures function exceeded the amount budgeted.

(12) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

Project	Amount
Limited english proficiency	\$ 19,373
Home school assistance program	24,773
Weighted at-risk	39,499
Talented and gifted	26,051
SBRC modified allowable growth for drop outs and drop out prevention programs	53,385
Beginning teacher mentoring	5,521
Salary improvement program	5,640
Early childhood programs - empowerment	2,069
Professional development for model core curriculum	19,799
Professional development	13,137
Market factor incentives	1,714
Total	<u>\$ 210,961</u>

(13) Contingencies

As of June 30, 2009, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ATLANTIC COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,230,069	427,081	8,657,150	8,394,315	8,394,315	262,835
State sources	7,682,348	7,766	7,690,114	7,783,997	7,783,997	(93,883)
Federal sources	743,984	339,357	1,083,341	735,000	735,000	348,341
Total revenues	<u>16,656,401</u>	<u>774,204</u>	<u>17,430,605</u>	<u>16,913,312</u>	<u>16,913,312</u>	<u>517,293</u>
Expenditures/Expenses:						
Instruction	10,473,373	0	10,473,373	10,055,093	10,508,008	34,635
Support services	4,448,137	7,291	4,455,428	4,965,000	4,965,000	509,572
Non-instructional programs	12,644	717,046	729,690	921,000	921,000	191,310
Other expenditures	3,360,300	0	3,360,300	3,276,585	3,276,585	(83,715)
Total expenditures/expenses	<u>18,294,454</u>	<u>724,337</u>	<u>19,018,791</u>	<u>19,217,678</u>	<u>19,670,593</u>	<u>651,802</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(1,638,053)	49,867	(1,588,186)	(2,304,366)	(2,757,281)	1,169,095
Other financing sources, net	158,088	0	158,088	0	0	158,088
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(1,479,965)	49,867	(1,430,098)	(2,304,366)	(2,757,281)	1,327,183
Balance beginning of year	5,595,684	325,439	5,921,123	6,008,758	6,008,758	(87,635)
Balance end of year	<u>\$ 4,115,719</u>	<u>375,306</u>	<u>4,491,025</u>	<u>3,704,392</u>	<u>3,251,477</u>	<u>1,239,548</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$452,915.

During the year ended June 30, 2009, District expenditures in the other expenditures functional area exceeded the budgeted amount.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
July 1, 2008	\$ -	\$0.795	\$0.795	0.0%	\$ 6,737	11.8%

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.

OTHER SUPPLEMENTARY INFORMATION

ATLANTIC COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	Special Revenue Funds					Total
	Management Levy	Physical Plant and Equipment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Assets						
Cash and pooled investments	\$ 193,743	557,893	54,658	806,294	156,643	962,937
Receivables:						
Property tax:						
Current year delinquent		2,075	2,023	0	4,098	7,893
Succeeding year		175,000	190,157	0	365,157	669,736
Income surtax		0	192,553	0	192,553	0
Accounts		0	0	6,544	6,544	0
Total Assets	\$ 370,818	942,626	61,202	1,374,646	834,272	2,208,918
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 196	7,193	13,550	20,939	0	20,939
Deferred revenue:						
Succeeding year property tax		175,000	190,157	0	365,157	669,736
Income surtax		0	192,553	0	192,553	0
Total liabilities	<u>175,196</u>	<u>389,903</u>	<u>13,550</u>	<u>578,649</u>	<u>669,736</u>	<u>1,248,385</u>
Fund balances:						
Reserved for:						
Debt service		0	0	0	164,536	164,536
Unreserved	<u>195,622</u>	<u>552,723</u>	<u>47,652</u>	<u>795,997</u>	<u>0</u>	<u>795,997</u>
Total fund balances	<u>195,622</u>	<u>552,723</u>	<u>47,652</u>	<u>795,997</u>	<u>164,536</u>	<u>960,533</u>
Total Liabilities and Fund Balances	\$ 370,818	942,626	61,202	1,374,646	834,272	2,208,918

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds						Total
	Management Levy	Physical Plant and Equipment Levy	Student Activity	Expend-able Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 174,728	407,376	0	0	582,104	669,818	1,251,922
Other	24,549	56,208	246,053	0	326,810	4,557	331,367
State sources	129	126	0	0	255	493	748
TOTAL REVENUES	199,406	463,710	246,053	0	909,169	674,868	1,584,037
EXPENDITURES:							
Current:							
Instruction:							
Regular	38,794	7,977	0	0	46,771	0	46,771
Other	0	0	273,094	0	273,094	0	273,094
Support services:							
Administration	35,563	0	0	0	35,563	0	35,563
Operation and maintenance of plant	69,669	25,800	0	0	95,469	0	95,469
Student transportation	28,002	248,627	0	0	276,629	0	276,629
Non-instructional programs:							
Food service operations	12,644	0	0	0	12,644	0	12,644
Other expenditures:							
Facilities acquisition	0	288,151	0	0	288,151	0	288,151
Long-term debt:							
Principal	0	0	0	0	0	615,000	615,000
Interest and fiscal charges	0	0	0	0	0	130,573	130,573
TOTAL EXPENDITURES	184,672	570,555	273,094	0	1,028,321	745,573	1,773,894
Excess(Deficiency) of revenues over(under) expenditures	14,734	(106,845)	(27,041)	0	(119,152)	(70,705)	(189,857)
Other financing sources(uses):							
Transfer in	0	0	0	0	0	75,000	75,000
Transfer out	0	0	0	(20,869)	(20,869)	0	(20,869)
Lease proceeds	0	173,916	0	0	173,916	0	173,916
Total other financing sources(uses)	0	173,916	0	(20,869)	153,047	75,000	228,047
Net change in fund balances	14,734	67,071	(27,041)	(20,869)	33,895	4,295	38,190
Fund balances beginning of year	180,888	485,652	74,693	20,869	762,102	160,241	922,343
Fund balances end of year	\$ 195,622	552,723	47,652	0	795,997	164,536	960,533

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 0	435	186	249
Speech	0	0	150	(150)
Debate	0	1,175	5,123	(3,948)
Vocal Music	7,244	9,462	12,211	4,495
Middle School Vocal Music	0	7,178	4,413	2,765
Show Choir Costume	4,684	3,409	695	7,398
High School Band	0	10,212	11,752	(1,540)
High School Color Guard	2,180	28	776	1,432
Middle School Band	1,317	3,029	2,501	1,845
Musical	1,595	3,329	3,108	1,816
High School Cross Country	0	2,125	3,203	(1,078)
Middle School Cross Country	0	20	192	(172)
Boys Basketball	8,782	10,820	12,983	6,619
Middle School Boys Basketball	0	0	2,052	(2,052)
Football	15,367	23,076	23,411	15,032
Middle School Football	0	0	3,209	(3,209)
Soccer	655	2,698	3,755	(402)
Baseball	0	4,665	7,638	(2,973)
Boys Track	0	4,678	8,507	(3,829)
Middle School Boys Track	0	0	1,235	(1,235)
Boys Tennis	0	1,004	1,653	(649)
Boys Golf	0	1,927	3,549	(1,622)
Wrestling	1,613	13,252	16,049	(1,184)
Middle School Wrestling	0	0	517	(517)
High School Girls Basketball	6,000	7,190	10,824	2,366
Middle School Girls Basketball	0	0	2,894	(2,894)
High School Volleyball	0	10,595	13,352	(2,757)
Middle School Volleyball	0	0	1,128	(1,128)
Girls Soccer	0	2,063	4,443	(2,380)
Softball	0	8,428	10,625	(2,197)
High School Girls Track	0	2,336	3,816	(1,480)
Middle School Girls Track	0	0	325	(325)
Girls Tennis	0	1,259	1,891	(632)
Girls Golf	0	1,822	3,146	(1,324)
National Honor Society	992	50	477	565
Student Council	4,554	8,065	8,915	3,704
FFA	3,537	40,362	40,117	3,782
Middle School Student Council	387	125	76	436
Prime Time	3,263	1,607	831	4,039
MS Activities	0	1,323	1,446	(123)
Javelin	13,634	13,210	10,480	16,364
Cheerleaders	(9,594)	6,072	7,077	(10,599)
Pride	185	9,875	7,861	2,199
Schuler Student Council	203	0	14	189
Jr Class Prom	3,797	6,113	6,431	3,479

ATLANTIC COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Coke	0	321	0	321
General Activity	0	16,770	3,037	13,733
Student Connection	1,591	542	298	1,835
Operation Special Kids	270	0	267	3
Hosp BD Activity	2,010	2,650	2,779	1,881
Schuler Resource Activity	190	0	0	190
Insuff. Funds	0	1,353	1,353	0
Level II SPED	237	129	323	43
Interest	0	1,271	0	1,271
Total	\$ 74,693	246,053	273,094	47,652

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 2,973	36,427	35,634	3,766
Liabilities				
Due to other groups	\$ 2,973	36,427	35,634	3,766

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 6,475,866	5,976,105	5,657,116	5,519,381	4,636,402	4,252,623
Tuition	1,136,351	1,034,146	1,013,833	905,598	804,293	742,794
Other	617,852	914,129	644,158	858,431	499,693	457,789
Intermediate sources	0	0	0	0	0	7,121
State sources	7,682,348	7,348,171	7,006,302	6,380,868	6,015,939	5,956,968
Federal sources	743,984	441,246	403,571	438,369	516,049	378,137
Total	\$ 16,656,401	15,713,797	14,724,980	14,102,647	12,472,376	11,795,432
Expenditures:						
Instruction:						
Regular	\$ 6,252,296	5,893,497	5,717,955	5,410,666	5,000,500	4,936,636
Special	2,622,408	2,469,704	2,160,567	1,921,407	1,502,442	1,615,769
Other	1,598,669	1,597,619	896,025	831,840	1,123,659	703,959
Support services:						
Student	426,546	380,348	375,303	387,154	306,622	340,420
Instructional staff	594,531	706,069	597,916	578,921	455,264	326,908
Administration	1,453,341	1,316,769	1,232,323	1,100,090	1,011,689	972,797
Operation and maintenance of plant	1,260,802	1,217,498	1,198,317	1,193,207	1,056,285	976,804
Transportation	712,917	531,663	521,875	512,138	431,331	361,088
Central support	0	0	0	0	4,745	2,663
Non-instructional programs	12,644	12,398	10,133	8,681	20,778	17,284
Other expenditures:						
Facilities acquisitions	2,095,735	108,805	379,086	612,430	194,372	133,377
Long-term debt:						
Principal	615,000	595,000	565,000	545,000	525,000	510,000
Interest and other charges	130,573	155,116	178,422	200,904	222,560	243,597
AEA flow-through	518,992	476,641	456,669	410,189	406,718	415,603
Total	\$ 18,294,454	15,461,127	14,289,591	13,712,627	12,261,965	11,556,905

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 45,219
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	293,858
			<u>339,077</u>
TEAM NUTRITION GRANTS	10.574	FY 09	<u>280</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0387-G	220,377
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0387-GC	2,814
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES RECOVERY ACT	84.389	FY 09	27,016
			<u>250,207</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	<u>5,931</u>
PARENTAL INFORMATION AND RESOURCE CENTERS	84.310	FY 09	<u>6,763</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 08	7,405
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 09	52,380
			<u>59,785</u>
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 09	<u>9,841</u>
ARRA - STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	<u>122,469</u>
IOWA WESTERN COMMUNITY COLLEGE VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>14,264</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 09	78,324
SPECIAL EDUCATION - GRANTS TO STATES(I-STAR)	84.027	FY 09	1,725
ARRA - SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	42,629
			<u>122,678</u>
TOTAL			<u>\$ 931,295</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Atlantic Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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
Atlantic Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Atlantic Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 15, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Atlantic Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Atlantic Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Atlantic Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Atlantic Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Atlantic Community School District's financial statements that is more than inconsequential will not be prevented or detected by Atlantic Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Atlantic Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Atlantic Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

Atlantic Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Atlantic Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Atlantic Community School District and other parties to whom Atlantic Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Atlantic 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 15, 2010

NOLTE, CORNMAN & JOHNSON P.C.

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Atlantic Community School District:

Compliance

We have audited the compliance of Atlantic Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Atlantic Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Atlantic Community School District's management. Our responsibility is to express an opinion on Atlantic Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Atlantic Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Atlantic Community School District's compliance with those requirements.

In our opinion, Atlantic Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Atlantic Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Atlantic Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Atlantic Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Atlantic Community School District and other parties to whom Atlantic Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 15, 2010

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Atlantic Community School District did qualify as a low-risk auditee.

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-09 Sponsor Procedures - We noted during our audit that sponsors are not turning in collected receipts to the administration office for deposit in a timely manner. In addition, when the sponsors turn deposits into the office, no supporting documentation of the receipts accompanies the collected receipts to the administration office. The breakdown of control procedures for the receipting process becomes apparent as the sponsor maintains the collected revenue. The holding of the undeposited funds by the sponsors provides a risk of loss due to possible theft, improper use or loss, as well as lack of reporting of the funds. The District is required to maintain records for the student activity fund.

Recommendation - The possible impropriety of revenues and expenditures is undeterminable without records to document the transactions of posting of receipts and expenditures. The district should take necessary steps to require all individuals to turn in collected money.

Response - The District continues to implement procedures to facilitate timely processing of receipts from sponsors.

Conclusion - Response accepted.

II-B-09 Receipting/Depositing Process - We noted during our audit of the receipting process at the high school that deposits sent to Central Office were difficult to reconcile back to receipts because deposit slips do not contain a detail listing of the checks and cash included in the deposit. The process of collection of money and issuance of the receipt, subsequently depositing the money and recording the receipt into the District accounting software appears to have weaknesses which do not allow for tracing of specific receipts.

Recommendation - The District should require individuals who are preparing the deposit slips to complete the listing of checks and insert the amount of currency included in the deposit. The District may also consider identifying which receipts are included in that specific deposit, noting in an area of the deposit slip the receipts numbers included on that deposit. The identification of the receipts to the deposit slip, aids in identifying reconciling items when reconciling bank statements each month, as well as serving as a control to help ensure all receipts are deposited and accounted for.

Response - The District continues to review receipt and deposit procedures and make necessary changes.

Conclusion - Response accepted.

II-C-09 Gate Admissions - Although the District utilizes pre-numbered tickets for all event admissions, it appeared that ticket takers responsible for cash collections at the gate were not reconciling pre-numbered tickets to cash collected and not signing off on the reconciliation before giving custody of the change box to the Athletic Director. We noted instances of the Athletic Director's secretary being the only person signing off on gate reconciliations.

Recommendation - The exchange in custody of the change box from the ticket takers to the Athletic Director with no reconciliation procedures being performed by the ticket takers constitutes a breakdown in control procedures. The District should review internal control procedures established for handling cash for all activity events and communicate the procedures to the individuals involved.

At the end of the event, cash should be counted and reconciled by two or more individuals (usually the ticket takers) to pre-numbered tickets sold including the amount of the beginning cash. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash. The cash and change box should then be turned into the Athletic Director or designee responsible for the accounting function at the event.

Response - The District has reviewed reconciliation procedures and has requested ticket takers to count and reconcile gate receipts before returning collections to an administrator after the event. The Athletic Director's secretary will reconcile the next day.

Conclusion - Response accepted.

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No matters were noted.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-09 Certified Budget - During the year ended June 30, 2009, expenditures in the other expenditures function exceeded the amount budgeted.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will monitor budgeted expenditures more closely in the future and will amend the budget when necessary.

Conclusion - Response accepted.

IV-B-09 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.

IV-C-09 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.

During the audit we noted that employees were using District credit cards for business related travel expenses but not always turning in detailed receipts of the charges made to the credit card.

Recommendation - District Board Policy 401.10 states that employees and officers using District credit cards must submit a detailed receipt in addition to the credit card receipt showing the date, purpose and nature of the expense for each claim item. Failure to turn in detailed receipts to the District makes the expense the employee's expense and not the District's. The District should review Board Policy 401.10 and communicate to employees the ramifications to them if the policy is not followed.

Response - The District has placed more effort in enforcement of Policy 401.10 and reviewed the procedures with staff.

Conclusion - Response accepted.

IV-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Barb Olson, Teacher Spouse owns Olson Fuel Supply, Inc.	Fuel (per bid)	\$66,375
Kathy Henningsen, Teacher Spouse owns Henningsen Construction	Purchased Services	\$2,954
DeeAnn Schreiner, Aide Spouse is manager for Reinhart Food Service	Purchased Services	\$36,985

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the teachers' spouses do not appear to represent a conflict of interest.

- IV-E-09 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.
- IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported as open enrolled out was overstated by one student and the number of students reported as tuitioned out was understated by two students. This resulted in the total actual enrollment reported on Line 7 to be understated by one student.
- Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.
- Conclusion - Response accepted.
- IV-H-09 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.
- IV-I-09 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.
- IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services 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 and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	<u>0</u>
Statewide sales and services tax revenue			1,093,825
Interest on investments			<u>56,931</u>
Total revenues			1,150,756
Expenditures/Transfers out:			
School infrastructure:			
Buildings	\$	1,075,756	
Debt service for school infrastructure:			
General obligation debt		<u>75,000</u>	<u>1,150,756</u>
Ending Balance		\$	<u><u>0</u></u>

Levies reduced as a result of statewide sales and services tax received:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.23179	\$ 75,000

IV-L-09 Financial Condition - The District had several accounts in the Student Activity Fund that had deficit balances at the end of the year totaling \$50,399.

Recommendation - The District should continue to monitor the Student Activity Fund and investigate alternatives to eliminate the deficit accounts. The District should consider additional approval of bills from the Student Activity Fund. A workout plan for the deficit accounts should also be considered for the Student Activity Fund.

Response - As we believe a significant part of the deficit balances is for resale items, the District has upgraded the procedure of payment of resale items prior to purchase and the enforcement of the procedure.

Conclusion - Response accepted.

IV-M-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual , “The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8).” Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

The Student Council and FFA accounts award scholarships from proceeds from fundraising during the year. When fundraising takes place the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - The District has corrected this situation.

Conclusion - Response accepted.