

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

JUNE 30, 2011

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Atlantic Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Phil Hascall	President	2011
Jon Martens	Vice President	2011
Dennis Davis	Board Member	2011
Glen Smith	Board Member	2011
Kristy Pellett	Board Member	2013
School Officials		
Dr. Michael Amstein	Superintendent	2011
Lori Robertson	Business Manager/ Board Secretary (Resigned September 2010)	2011
Mary Beth Fast	Business Manager/ Board Secretary (Appointed October 2010)	2011
Melinda McDermott	District Treasurer	2011
Brett Nitzschke	Attorney	2011



Atlantic Community School District

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
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, 2011, 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, 2011, 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.

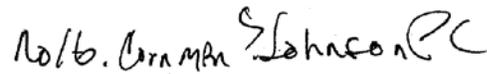
In accordance with Government Auditing Standards, we have also issued our report dated January 13, 2012 on our consideration of the Atlantic Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 7 through 16 and 44 through 46 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 seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 8, 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.

January 13, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased to \$15,358,361 in fiscal year 2011 from \$14,501,731 in fiscal year 2010, while General Fund expenditures decreased from \$14,485,262 in fiscal 2010 to \$14,485,158 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$1,074,283 in fiscal 2010 to \$1,947,486 in fiscal 2011, a 81.28% increase from prior year.
- The increase in General fund revenues was attributed to an increase in state funding and local sources.
- The District's solvency ratio (unassigned fund balance/general fund revenues) increased as compared to the previous year from 4.82% for fiscal year 2010 to 9.05% for fiscal year 2011. 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.

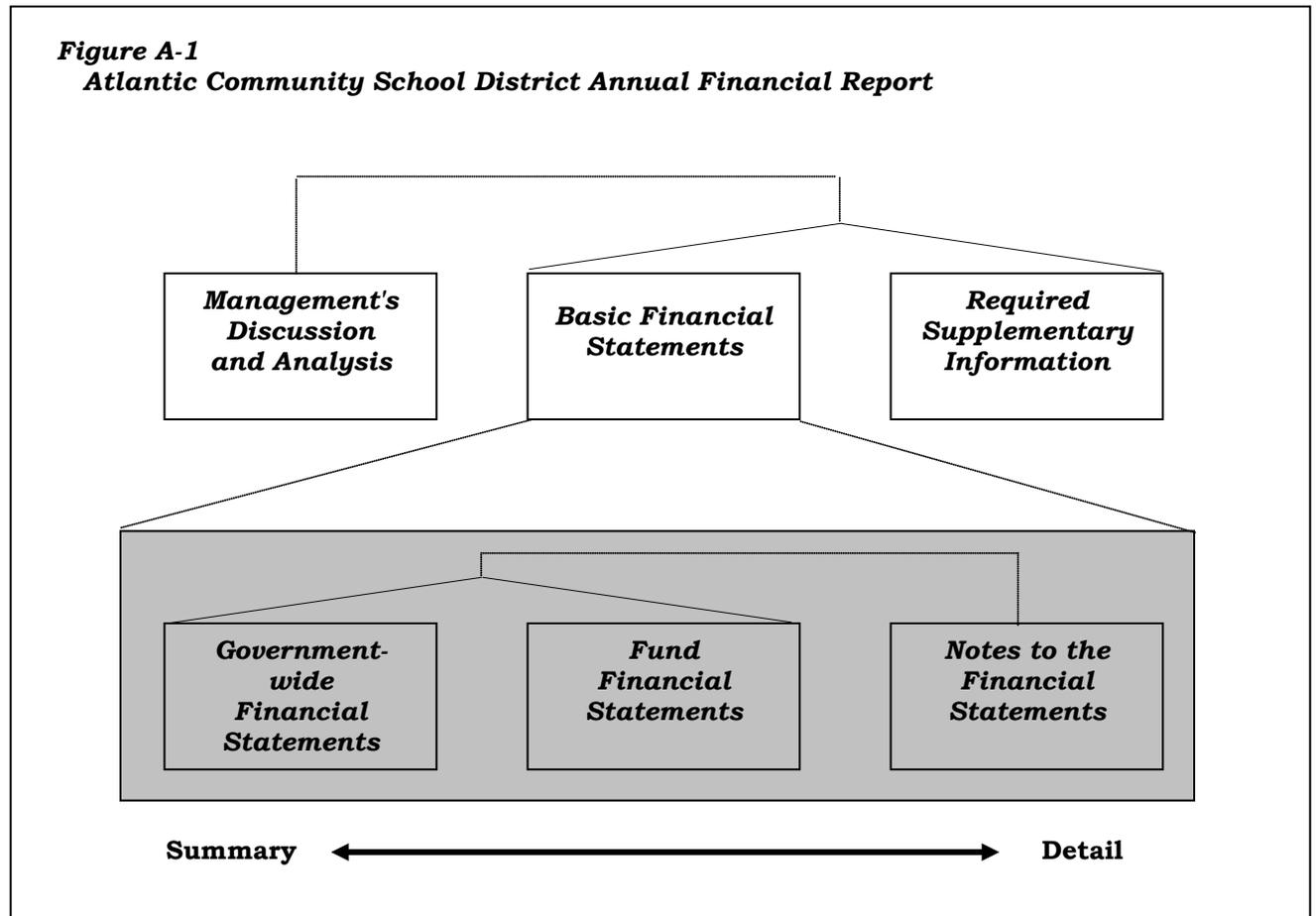


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 11,025,819	11,551,842	417,045	355,884	11,442,864	11,907,726	-3.90%
Capital assets	15,670,964	14,973,575	64,832	78,499	15,735,796	15,052,074	4.54%
Total assets	26,696,783	26,525,417	481,877	434,383	27,178,660	26,959,800	0.81%
Long-term obligations	1,544,234	2,016,484	40	0	1,544,274	2,016,484	-23.42%
Other liabilities	7,530,582	7,996,467	16,725	13,197	7,547,307	8,009,664	-5.77%
Total liabilities	9,074,816	10,012,951	16,765	13,197	9,091,581	10,026,148	-9.32%
Net assets:							
Invested in capital assets, net of related debt	14,560,865	13,120,810	64,832	78,499	14,625,697	13,199,309	10.81%
Restricted	1,193,347	2,039,928	0	0	1,193,347	2,039,928	-41.50%
Unrestricted	1,867,755	1,351,728	400,280	342,687	2,268,035	1,694,415	33.85%
Total net assets	\$ 17,621,967	16,512,466	465,112	421,186	18,087,079	16,933,652	6.81%

The District's combined net assets increased by 6.81%, or \$1,153,427, 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 represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$846,581, or 41.50% from 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 - increased \$573,620, or 33.85%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,358,948	1,421,895	385,127	383,590	1,744,075	1,805,485	-3.40%
Operating grants and contributions and restricted interest	1,601,156	3,700,295	398,035	387,109	1,999,191	4,087,404	-51.09%
Capital grants and contributions and restricted interest	18,409	8,500	0	0	18,409	8,500	116.58%
General revenues:							
Property tax	5,536,899	5,200,062	0	0	5,536,899	5,200,062	6.48%
Income surtax	874,234	764,721	0	0	874,234	764,721	14.32%
Statewide sales, services and use tax	1,003,401	1,007,169	0	0	1,003,401	1,007,169	-0.37%
Unrestricted state grants	6,876,447	4,985,289	0	0	6,876,447	4,985,289	37.93%
Non-specific program federal grants	351,464	0	0	0	351,464	0	100.00%
Other	256,492	131,502	2,042	3,021	258,534	134,523	92.19%
Total revenues and transfers	17,877,450	17,219,433	785,204	773,720	18,662,654	17,993,153	3.72%
Program expenses:							
Governmental activities:							
Instruction	10,352,687	10,370,522	0	0	10,352,687	10,370,522	-0.17%
Support services	4,606,999	4,296,693	4,929	8,568	4,611,928	4,305,261	7.12%
Non-instructional programs	11,364	12,246	736,349	719,272	747,713	731,518	2.21%
Other expenditures	1,796,899	1,141,499	0	0	1,796,899	1,141,499	57.42%
Total expenses	16,767,949	15,820,960	741,278	727,840	17,509,227	16,548,800	5.80%
Changes in net assets	1,109,501	1,398,473	43,926	45,880	1,153,427	1,444,353	-20.14%
Beginning net assets	16,512,466	15,113,993	421,186	375,306	16,933,652	15,489,299	9.32%
Ending net assets	\$ 17,621,967	16,512,466	465,112	421,186	18,087,079	16,933,652	6.81%

In fiscal 2011, local tax (property tax, income surtax and statewide sales, service and use tax) and unrestricted state grants accounted for 79.94% of the revenue from governmental activities while charges for services and operating grants and contributions account for approximately 99.74% of the revenue from business type activities.

The District's total revenues were approximately \$18.66 million of which approximately \$17.88 million was for governmental activities and approximately \$0.78 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.72% in revenues and a 5.80% increase in expenses. The increase in expenses was largely related to increased expenditures in the other expenditures functional area.

Governmental Activities

Revenues for governmental activities were \$17,877,450 and expenses were \$16,767,949.

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		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 10,352,687	10,370,522	-0.17%	8,011,857	5,836,549	37.27%
Support services	4,606,999	4,296,693	7.22%	4,551,023	4,278,142	6.38%
Non-instructional programs	11,364	12,246	-7.20%	11,364	12,246	-7.20%
Other expenses	1,796,899	1,141,499	57.42%	1,215,192	563,333	115.71%
Totals	<u>\$ 16,767,949</u>	<u>15,820,960</u>	<u>5.99%</u>	<u>13,789,436</u>	<u>10,690,270</u>	<u>28.99%</u>

- The cost financed by users of the District's programs was \$1,358,948.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,619,565.
- The net cost of governmental activities was financed with \$5,536,899 in property tax, \$874,234 in income surtax, \$1,003,401 in statewide sales, service and use tax, \$6,876,447 in unrestricted state grants, \$351,464 in non-specific program federal grants, \$9,172 in interest income and \$247,320 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$785,204 and expenses were \$741,278. 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 \$2,549,694, below last year's ending fund balances of \$2,738,923. However, the primary reason for the decrease in combined fund balances in fiscal 2011 is due to decreases in fund balances of the Capital Projects Fund and Debt Service Fund.

Governmental Fund Highlights

- The District's increase in General Fund financial position from \$1,074,283 in fiscal 2010 to \$1,947,486 in fiscal 2011 is a product of many factors. Revenues increased due to the increases in state sources and local tax.
- The Capital Projects Fund balance decreased from a restated \$1,352,495 at the beginning of fiscal year 2011 to \$497,603 at the end of fiscal 2011. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects

Fund account in accordance with GASB Statement No. 54. The Statewide Sales, Services and Use Tax Fund revenues decreased \$7,362 and expenses decreased \$266,274 when compared to the previous year. Physical Plant and Equipment Levy Fund revenues increased \$26,613 and expenses decreased \$146,834 when compared to the previous year.

- The Debt Service Fund balance decreased from \$106,243 in fiscal 2010 to a \$110,883 deficit balance in fiscal 2011. The decline in fund balance resulted from the District not receiving enough property tax revenues to satisfy the principal and interest requirements of the district's general obligation indebtedness.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$421,186 at June 30, 2010 to \$465,112 at June 30, 2011, representing an increase of 10.43%. Fund revenues being greater than fund expenditures enabled the fund to increase overall.

BUDGETARY HIGHLIGHTS

Over the course of the year, Atlantic Community School District amended its budget one time by \$778,918 to reflect additional expenditures in the other expenditures functional area.

The District's revenues were \$313,012 less than budgeted revenues, a variance of approximately 1.65%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

It is the District's practice to budget expenditures at the maximum authorized spending authority 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 expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$15.74 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 4.54% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,354,556.

The original cost of the District's capital assets was \$25.82 million. Governmental funds account for approximately \$25.54 million with the remainder of approximately \$0.28 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 \$1,381,129 at June 30, 2010 as compared to \$121,627 at June 30, 2011. This increase was the result of the completion of HAVC projects within the District.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	
Land	\$ 928,419	928,419	0	0	928,419	928,419	0.00%
Construction in progress	121,627	1,381,129	0	0	121,627	1,381,129	-91.19%
Buildings	13,616,425	11,546,891	0	0	13,616,425	11,546,891	17.92%
Land improvements	632,584	667,533	0	0	632,584	667,533	-5.24%
Machinery and equipment	371,909	449,603	64,832	78,499	436,741	528,102	-17.30%
Total	\$ 15,670,964	14,973,575	64,832	78,499	15,735,796	15,052,074	4.54%

Long-Term Debt

At June 30, 2011, the District had \$1,544,274 in general obligation bonds payable, bus lease payable and other long-term debt outstanding. This represents a decrease of 23.42% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$1,020,000 at June 30, 2011.

The District had outstanding bus lease payable of \$90,099 at June 30, 2011.

The District had total outstanding compensated absences payable of \$56,397 at June 30, 2011.

The District had outstanding early retirement payable of \$188,388 at June 30, 2011.

The District also had a net OPEB liability of \$189,390.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	District		
	June 30,		
	2011	2010	
General Obligation Bonds	\$ 1,020,000	1,720,000	-40.70%
Bus Lease	90,099	132,765	-32.14%
Early Retirement	188,388	0	100.00%
Compensated Absences	56,397	41,394	36.24%
Net OPEB Liability	189,390	122,325	54.83%
Totals	\$ 1,544,274	2,016,484	-23.42%

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:

- The District has experienced declining enrollment for a few years and expects the trend to continue.

- 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 Mary Beth Fast, 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, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 3,432,029	388,830	3,820,859
Receivables:			
Property tax:			
Delinquent	85,094	0	85,094
Succeeding year	5,781,980	0	5,781,980
Income surtax	845,923	0	845,923
Accounts	25,236	2,362	27,598
Due from other governments	843,047	11,088	854,135
Inventories	0	14,765	14,765
Prepaid expenses	12,510	0	12,510
Capital assets, net of accumulated depreciation	15,670,964	64,832	15,735,796
Total Assets	26,696,783	481,877	27,178,660
Liabilities			
Accounts payable	374,468	8,253	382,721
Salaries and benefits payable	1,294,015	0	1,294,015
Accrued interest payable	4,690	0	4,690
Deferred revenue:			
Succeeding year property tax	5,781,980	0	5,781,980
Other	75,429	0	75,429
Unearned revenue	0	8,472	8,472
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	675,000	0	675,000
Bus lease payable	44,236	0	44,236
Early retirement	62,796	0	62,796
Compensated absences	56,397	0	56,397
Portion due after one year:			
General obligation bonds payable	345,000	0	345,000
Bus lease payable	45,863	0	45,863
Early retirement	125,592	0	125,592
Net OPEB liability	189,350	40	189,390
Total Liabilities	9,074,816	16,765	9,091,581
Net Assets			
Invested in capital assets, net of related debt	14,560,865	64,832	14,625,697
Restricted for:			
Categorical funding	556,990	0	556,990
Student activities	138,754	0	138,754
School infrastructure	172,601	0	172,601
Physical plant and equipment levy	325,002	0	325,002
Unrestricted	1,867,755	400,280	2,268,035
Total Net Assets	\$ 17,621,967	465,112	18,087,079

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,330,875	676,766	343,631	0	(5,310,478)	0	(5,310,478)
Special	2,289,810	408,335	211,358	0	(1,670,117)	0	(1,670,117)
Other	1,732,002	240,780	459,960	0	(1,031,262)	0	(1,031,262)
	<u>10,352,687</u>	<u>1,325,881</u>	<u>1,014,949</u>	<u>0</u>	<u>(8,011,857)</u>	<u>0</u>	<u>(8,011,857)</u>
Support services:							
Student	415,884	0	0	0	(415,884)	0	(415,884)
Instructional staff	629,627	0	0	0	(629,627)	0	(629,627)
Administration	1,414,390	21,068	4,500	0	(1,388,822)	0	(1,388,822)
Operation and maintenance of plant	1,472,243	0	0	18,409	(1,453,834)	0	(1,453,834)
Transportation	674,855	11,999	0	0	(662,856)	0	(662,856)
	<u>4,606,999</u>	<u>33,067</u>	<u>4,500</u>	<u>18,409</u>	<u>(4,551,023)</u>	<u>0</u>	<u>(4,551,023)</u>
Non-instructional programs:							
Food service operations	11,364	0	0	0	(11,364)		(11,364)
Other expenditures:							
Long-term debt interest	22,956	0	0	0	(22,956)	0	(22,956)
AEA flowthrough	581,707	0	581,707	0	0	0	0
Depreciation(unallocated)*	1,192,236	0	0	0	(1,192,236)	0	(1,192,236)
	<u>1,796,899</u>	<u>0</u>	<u>581,707</u>	<u>0</u>	<u>(1,215,192)</u>	<u>0</u>	<u>(1,215,192)</u>
Total governmental activities	<u>16,767,949</u>	<u>1,358,948</u>	<u>1,601,156</u>	<u>18,409</u>	<u>(13,789,436)</u>	<u>0</u>	<u>(13,789,436)</u>
Business Type activities:							
Support services:							
Operation and maintenance of plant	743	0	0	0	0	(743)	(743)
Transportation	4,186	0	0	0	0	(4,186)	(4,186)
	<u>4,929</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,929)</u>	<u>(4,929)</u>
Non-instructional programs:							
Food service operations	736,349	385,127	398,035	0	0	46,813	46,813
Total business type activities	<u>741,278</u>	<u>385,127</u>	<u>398,035</u>	<u>0</u>	<u>0</u>	<u>41,884</u>	<u>41,884</u>
Total	<u>\$ 17,509,227</u>	<u>1,744,075</u>	<u>1,999,191</u>	<u>18,409</u>	<u>(13,789,436)</u>	<u>41,884</u>	<u>(13,747,552)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 4,855,400	0		4,855,400
Debt service				501,380	0		501,380
Capital outlay				180,119	0		180,119
Income surtax				874,234	0		874,234
Statewide sales, services and use tax				1,003,401	0		1,003,401
Unrestricted state grants				6,876,447	0		6,876,447
Non-specific program federal grants				351,464	0		351,464
Unrestricted investment earnings				9,172	2,024		11,196
Other general revenues				247,320	18		247,338
Total general revenues				<u>14,898,937</u>	<u>2,042</u>		<u>14,900,979</u>
Changes in net assets				1,109,501	43,926		1,153,427
Net assets beginning of year				<u>16,512,466</u>	<u>421,186</u>		<u>16,933,652</u>
Net assets end of year				<u>\$ 17,621,967</u>	<u>465,112</u>		<u>18,087,079</u>

* 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, 2011

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 2,672,165	397,963	32,039	225,552	3,327,719
Receivables:					
Property tax:					
Delinquent	73,167	2,746	7,643	1,538	85,094
Succeeding year	4,625,381	197,469	809,130	150,000	5,781,980
Income surtax	604,231	241,692	0	0	845,923
Accounts	4,339	18,409	0	2,488	25,236
Due from other funds	150,565	13,369	0	0	163,934
Due from other governments	670,500	172,547	0	0	843,047
Prepaid expenses	0	12,510	0	0	12,510
Total Assets	\$ 8,800,348	1,056,705	848,812	379,578	11,085,443
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 240,437	119,941	0	14,090	374,468
Salaries and benefits payable	1,294,015	0	0	0	1,294,015
Due to other funds	13,369	0	150,565	0	163,934
Deferred revenue:					
Succeeding year property tax	4,625,381	197,469	809,130	150,000	5,781,980
Income surtax	604,231	241,692	0	0	845,923
Other	75,429	0	0	0	75,429
Total liabilities	6,852,862	559,102	959,695	164,090	8,535,749
Fund balances:					
Restricted for:					
Categorical funding	556,990	0	0	0	556,990
Management levy purposes	0	0	0	84,717	84,717
Student activities	0	0	0	138,754	138,754
School infrastructure	0	172,601	0	0	172,601
Physical plant and equipment	0	325,002	0	0	325,002
Unassigned:					
General	1,390,496	0	0	0	1,390,496
Student activities	0	0	0	(7,983)	(7,983)
Debt service	0	0	(110,883)	0	(110,883)
Total fund balances	1,947,486	497,603	(110,883)	215,488	2,549,694
Total Liabilities and Fund Balances	\$ 8,800,348	1,056,705	848,812	379,578	11,085,443

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)	\$ 2,549,694
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	15,670,964
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	845,923
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.	(4,690)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	104,310
Long-term liabilities, including bonds payable, bus lease payable, compensated absences payable, early retirement payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,544,234)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 17,621,967</u></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, 2011

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 5,363,155	1,426,592	501,380	99,925	7,391,052
Tuition	1,050,609	0	0	0	1,050,609
Other	401,952	62,618	862	389,021	854,453
State sources	7,574,181	1	2	0	7,574,184
Federal sources	965,261	18,409	0	0	983,670
Total revenues	15,355,158	1,507,620	502,244	488,946	17,853,968
EXPENDITURES:					
Current:					
Instruction:					
Regular	6,132,445	27,939	0	45,780	6,206,164
Special	2,296,607	0	0	0	2,296,607
Other	1,421,918	0	0	299,206	1,721,124
	9,850,970	27,939	0	344,986	10,223,895
Support services:					
Student	417,724	0	0	0	417,724
Instructional staff	587,457	12,883	0	30,424	630,764
Administration	1,391,061	0	0	0	1,391,061
Operation and maintenance of plant	1,119,018	122,921	0	65,390	1,307,329
Transportation	537,221	34,425	0	27,137	598,783
	4,052,481	170,229	0	122,951	4,345,661
Non-instructional programs:					
Food service operations	0	0	0	11,423	11,423
Other expenditures:					
Facilities acquisitions	0	2,116,793	0	0	2,116,793
Long-term debt:					
Principal	0	0	742,666	0	742,666
Interest and fiscal charges	0	0	24,255	0	24,255
AEA flowthrough	581,707	0	0	0	581,707
	581,707	2,116,793	766,921	0	3,465,421
Total expenditures	14,485,158	2,314,961	766,921	479,360	18,046,400
Excess(Deficiency) of revenues over(under) expenditures	870,000	(807,341)	(264,677)	9,586	(192,432)
Other financing sources(uses):					
Sale of equipment	3,203	0	0	0	3,203
Transfer in	0	10,349	47,551	0	57,900
Transfer out	0	(57,900)	0	0	(57,900)
Total other financing sources(uses)	3,203	(47,551)	47,551	0	3,203
Net change in fund balances	873,203	(854,892)	(217,126)	9,586	(189,229)
Fund balances beginning of year, as restated	1,074,283	1,352,495	106,243	205,902	2,738,923
Fund balances end of year	\$ 1,947,486	497,603	(110,883)	215,488	2,549,694

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, 2011

Net change in fund balances - total governmental funds(page 22) \$ (189,229)

**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	\$ 2,038,278	
Depreciation expense	<u>(1,340,889)</u>	697,389

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 23,482

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. 742,666

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. 1,299

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 104,310

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	\$ (188,388)	
Compensated absences	(15,003)	
Other postemployment benefits	<u>(67,025)</u>	<u>(270,416)</u>

Changes in net assets of governmental activities(page 19) \$ 1,109,501

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	Service Fund
Assets		
Cash and cash equivalents	\$ 388,830	104,310
Accounts receivable	2,362	0
Due from other governments	11,088	0
Inventories	14,765	0
Capital assets, net of accumulated depreciation	64,832	0
Total Assets	481,877	104,310
Liabilities		
Accounts payable	8,253	0
Salaries and benefits payable	0	0
Unearned revenues	8,472	0
Net OPEB liability	40	0
Total Liabilities	16,765	0
Net Asset		
Invested in capital assets	64,832	0
Unrestricted	400,280	104,310
Total Net Asset	\$ 465,112	104,310

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 385,127	0
Contributions	192	0
Miscellaneous	18	1,278,188
TOTAL OPERATING REVENUES	<u>385,337</u>	<u>1,278,188</u>
OPERATING EXPENSES:		
Instruction:		
Regular:		
Benefits	0	600,898
Special:		
Benefits	0	214,163
Other:		
Benefits	0	42,023
	<u>0</u>	<u>857,084</u>
Support services:		
Student:		
Benefits	0	57,913
Instructional staff		
Benefits	0	35,891
Administration:		
Benefits	0	111,908
Operation and maintenance of plant:		
Benefits	0	93,295
Services	400	0
Supplies	343	0
Transportation:		
Salaries	3,653	0
Benefits	533	17,123
	<u>4,929</u>	<u>316,130</u>
Non-instructional programs:		
Food service operations:		
Salaries	286,416	0
Benefits	46,062	664
Services	41,697	0
Supplies	348,507	0
Depreciation	13,667	0
	<u>736,349</u>	<u>664</u>
TOTAL OPERATING EXPENSES	<u>741,278</u>	<u>1,173,878</u>
OPERATING LOSS	<u>(355,941)</u>	<u>104,310</u>
NON-OPERATING REVENUES:		
State sources	6,615	0
Federal sources	391,228	0
Interest income	2,024	0
TOTAL NON-OPERATING REVENUES	<u>399,867</u>	<u>0</u>
Change in net assets	43,926	104,310
Net assets beginning of year	421,186	0
Net assets end of year	<u>\$ 465,112</u>	<u>104,310</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 383,132	0
Cash received from miscellaneous sources	210	1,278,188
Cash paid to employees for services	(336,624)	0
Cash paid to suppliers for goods or services	(346,732)	(1,173,878)
Net cash provided by(used in) operating activities	<u>(300,014)</u>	<u>104,310</u>
Cash flows from non-capital financing activities:		
State grants received	6,615	0
Federal grants received	343,591	0
Net cash provided by non-capital financing activities	<u>350,206</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	2,024	0
Net increase in cash and cash equivalents	52,216	104,310
Cash and cash equivalents at beginning of year	<u>336,614</u>	<u>0</u>
Cash and cash equivalents at end of year	<u>\$ 388,830</u>	<u>104,310</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating income(loss)	\$ (355,941)	104,310
Adjustments to reconcile operating income(loss) to net cash used in operating activities:		
Commodities consumed	47,637	0
Depreciation	13,667	0
Increase in inventories	(4,780)	0
Increase in accounts receivable	(4,165)	0
Increase in accounts payable	1,358	0
Increase in unearned revenue	2,170	0
Increase in net OPEB liability	40	0
Net cash provided by(used in) operating activities	<u>\$ (300,014)</u>	<u>104,310</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received \$47,637 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 157,594	6,359
Liabilities		
Due to other groups	0	6,359
Net Assets		
Restricted for scholarships	147,000	0
Unrestricted	10,594	0
Total Net Assets	<u>\$ 157,594</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust Scholarship</u>
ADDITIONS:	
Local sources:	
Interest	\$ <u>4,902</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u>3,000</u>
Change in net assets	1,902
Net assets beginning of year	<u>155,692</u>
Net assets end of year	<u>\$ 157,594</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(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. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the partially self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

The District also reports 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.

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

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 Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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 and intangibles, 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
Intangibles	25,000
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
Intangibles	5-10 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, 2011. 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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

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 Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures in the other expenditures functional area exceeded the amounts budgeted at June 30, 2011.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$153,170 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 150,565
Capital Projects: Physical Plant and Equipment Levy	General	<u>13,369</u>
Total		<u>\$ 163,934</u>

The Debt Service Fund borrowed from the General Fund to cover a shortfall in resources needed to pay the principal and interest on the District's general obligation bond indebtedness.

The General Fund owes the Capital Projects: Physical Plant and Equipment Levy Fund for income surtax levy revenues that were incorrectly recorded.

(4) Transfers

The detail of interfund transfers for year end June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 47,551
Capital Projects: Building Projects	Capital Projects: Statewide Sales, Services and Use Tax	<u>10,349</u>
Total		<u>\$ 57,900</u>

The Physical Plant and Equipment Levy Fund transferred \$47,551 to the Debt Service Fund for the principal and interest payment on the District's school bus lease.

The Capital Projects: Statewide Sales, Services and Use Tax Fund transferred monies to the Capital Projects: Building Projects Fund for construction costs.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	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	1,381,129	1,860,084	3,119,586	121,627
Total capital assets not being depreciated	<u>2,309,548</u>	<u>1,860,084</u>	<u>3,119,586</u>	<u>1,050,046</u>
Capital assets being depreciated:				
Buildings	17,363,861	3,183,805	0	20,547,666
Land improvements	1,566,273	43,016	0	1,609,289
Machinery and equipment	2,494,175	70,959	231,439	2,333,695
Total capital assets being depreciated	<u>21,424,309</u>	<u>3,297,780</u>	<u>231,439</u>	<u>24,490,650</u>
Less accumulated depreciation for:				
Buildings	5,816,970	1,114,271	0	6,931,241
Land improvements	898,740	77,965	0	976,705
Machinery and equipment	2,044,572	148,653	231,439	1,961,786
Total accumulated depreciation	<u>8,760,282</u>	<u>1,340,889</u>	<u>231,439</u>	<u>9,869,732</u>
Total capital assets being depreciated, net	<u>12,664,027</u>	<u>1,956,891</u>	<u>0</u>	<u>14,620,918</u>
Governmental activities capital assets, net	<u>\$ 14,973,575</u>	<u>3,816,975</u>	<u>3,119,586</u>	<u>15,670,964</u>
Business type activities:				
Machinery and equipment	\$ 276,257	0	0	276,257
Less accumulated depreciation	197,758	13,667	0	211,425
Business type activities capital assets, net	<u>\$ 78,499</u>	<u>(13,667)</u>	<u>0</u>	<u>64,832</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 18,835
Other	12,211
Support services:	
Operation and maintenance of plant	20,211
Transportation	97,396
	<u>148,653</u>
Unallocated depreciation	<u>1,192,236</u>
Total governmental activities depreciation expense	<u>\$ 1,340,889</u>
Business type activities:	
Food services	<u>\$ 13,667</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 1,720,000	0	700,000	1,020,000	675,000
Bus Lease	132,765	0	42,666	90,099	44,236
Early Retirement	0	188,388	0	188,388	62,796
Compensated Absences	41,394	56,397	41,394	56,397	56,397
Net OPEB Liability	122,325	67,025	0	189,350	0
Total	\$ 2,016,484	311,810	784,060	1,544,234	838,429
Business type activities:					
Net OPEB Liability	\$ 0	40	0	40	0

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year	Bond Issue of June 1, 2010			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2012	1.25	% \$ 675,000	14,130	689,130
2013	1.65	345,000	5,693	350,693
Total		\$ 1,020,000	19,823	1,039,823

Bus Lease Payable

Details of the District's June 30, 2011 bus lease payable, which is paid from the Physical Plant and Equipment Levy Fund, are as follows:

Year	Bus Lease October 16, 2008			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2012	3.68	% \$ 44,236	3,315	47,551
2013	3.68	45,863	1,688	47,551
Total		\$ 90,099	5,003	95,102

Early Retirement

The District offered a voluntary early retirement plan to its full-time certified employees. Eligible employees must have attained the age of fifty-seven on or before August 15th of the year in which they wish to retire and had completed at least

fifteen years of full-time contracted service Employees completed an application which was required to be approved by the Board of Education.

Benefits to be paid to prospective early retirees were calculated by the lesser of \$25,000 or the difference between the employee's salary at the time of retirement excluding payments not included in the salary schedule and the BA Step 7 rate of pay in effect in the year of retirement. Retirees could elect to continue their existing health insurance coverage with the District as long as monthly premiums were 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.

(7) 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$621,001, \$603,760 and \$587,912 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 104,987
Interest on net OPEB obligation	3,058
Adjustment to annual required contribution	(5,702)
Annual OPEB cost (expense)	102,343
Contributions made	(35,278)
Increase in net OPEB obligation	67,065
Net OPEB obligation - beginning of year	122,325
 Net OPEB obligation - end of year	 \$ 189,390

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, 2011.

For the year ended June 30, 2011, the District contributed \$35,278 to the medical plan. Plan members eligible for benefits contributed \$218,434, or 86% of the premium costs.

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, 2011 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 60,928	0.00%	\$ 60,928
6/30/2010	96,675	36.49%	122,325
6/30/2011	102,343	34.47%	189,390

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$7.362 million, and the ratio of the UAAL to the covered payroll was 10.8%. As of June 30, 2011, 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.

(9) 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.

(10) 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 \$581,707 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitment

As of June 30, 2011, the District had incurred costs of \$121,627 for the Atlantic Middle School HVAC project. Only architect fees had been incurred on the project, no construction contracts had been issued as of June 30, 2011. The project will continue in the 2011-12 school year and will be capitalized upon completion.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2011, expenditures in the other expenditures functional area exceeded the amounts budgeted.

(13) Deficit Balances

The Debt Service Fund had a deficit fund balance of \$110,883 at June 30, 2011. The District also had eleven accounts within the Special Revenue: Student Activity Fund totaling \$7,983.

(14) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following projects:

<u>Project</u>	<u>Amount</u>
Limited English Proficient	\$ 724
Home School Assistance Program	41,948
At-Risk Programs	42,545
Returning Dropouts and Dropout Prevention Programs	134,517
Four-year-old Preschool State Aid	187,840
Beginning Teacher Mentoring and Induction Program	4,844
Teacher Salary Supplement	28,022
Beginning Administrator Mentoring and Induction Program	1,500
Early Childhood Programs	1,544
Professional Development for Model Core Curriculum	49,752
Professional Development	63,754
	<hr/>
Total	\$ 556,990

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously stated	\$ 1,000,356	352,139
Change in fund type classification per implementation of GASB Statement No. 54	352,139	(352,139)
	<hr/>	<hr/>
Balances July 1, 2010, as restated	\$ 1,352,495	-

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, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 9,296,114	387,361	9,683,475	9,390,852	9,390,852	292,623
State sources	7,574,184	6,615	7,580,799	8,362,705	8,362,705	(781,906)
Federal sources	983,670	391,228	1,374,898	1,198,627	1,198,627	176,271
Total revenues	<u>17,853,968</u>	<u>785,204</u>	<u>18,639,172</u>	<u>18,952,184</u>	<u>18,952,184</u>	<u>(313,012)</u>
Expenditures/Expenses:						
Instruction	10,223,895	0	10,223,895	11,260,000	11,260,000	1,036,105
Support services	4,345,661	4,929	4,350,590	5,339,000	5,339,000	988,410
Non-instructional programs	11,423	736,349	747,772	1,365,000	1,365,000	617,228
Other expenditures	3,465,421	0	3,465,421	2,421,082	3,200,000	(265,421)
Total expenditures/expenses	<u>18,046,400</u>	<u>741,278</u>	<u>18,787,678</u>	<u>20,385,082</u>	<u>21,164,000</u>	<u>2,376,322</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(192,432)	43,926	(148,506)	(1,432,898)	(2,211,816)	2,063,310
Other financing sources, net	<u>3,203</u>	<u>0</u>	<u>3,203</u>	<u>0</u>	<u>0</u>	<u>3,203</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(189,229)	43,926	(145,303)	(1,432,898)	(2,211,816)	2,066,513
Balance beginning of year	<u>2,738,923</u>	<u>421,186</u>	<u>3,160,109</u>	<u>1,774,764</u>	<u>1,774,764</u>	<u>1,385,345</u>
Balance end of year	<u>\$ 2,549,694</u>	<u>465,112</u>	<u>3,014,806</u>	<u>341,866</u>	<u>(437,052)</u>	<u>3,451,858</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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 ended June 30, 2011, the District adopted one budget amendment, increasing budgeted expenditures by \$778,918.

During the year ended June 30, 2011, expenditures in the other expenditures functional area exceeded the amounts budgeted.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
2009	July 1, 2008	0	\$ 795	795	0.0%	\$ 6,737	11.8%
2010	July 1, 2008	0	795	795	0.0%	9,207	8.6%
2011	July 1, 2008	0	795	795	0.0%	7,362	10.8%

See Note 8 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 SPECIAL REVENUE FUNDS
 JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 87,624	137,928	225,552
Receivables:			
Property tax:			
Delinquent	1,538	0	1,538
Succeeding year	150,000	0	150,000
Accounts	0	2,488	2,488
Total Assets	\$ 239,162	140,416	379,578
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 4,445	9,645	14,090
Deferred revenue:			
Succeeding year property tax	150,000	0	150,000
Total liabilities	154,445	9,645	164,090
Fund balances:			
Restricted for:			
Management levy purposes	84,717	0	84,717
Student activities	0	138,754	138,754
Unassigned	0	(7,983)	(7,983)
Total fund balances	84,717	130,771	215,488
Total Liabilities and Fund Balances	\$ 239,162	140,416	379,578

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 99,925	0	99,925
Other	30,480	358,541	389,021
TOTAL REVENUES	130,405	358,541	488,946
EXPENDITURES:			
Current:			
Instruction:			
Regular	45,780	0	45,780
Other	0	299,206	299,206
Support services:			
Instructional staff	30,424	0	30,424
Operation and maintenance of plant	65,390	0	65,390
Transportation	27,137	0	27,137
Non-instructional programs:			
Food service operations	11,423	0	11,423
TOTAL EXPENDITURES	180,154	299,206	479,360
Net change in fund balances	(49,749)	59,335	9,586
Fund balances beginning of year, as restated	134,466	71,436	205,902
Fund balances end of year	\$ 84,717	130,771	215,488

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Building Projects	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 5,110	10,349	382,504	397,963
Receivables:				
Property tax:				
Delinquent	0	0	2,746	2,746
Succeeding year	0	0	197,469	197,469
Income surtax	0	0	241,692	241,692
Receivables	0	0	18,409	18,409
Due from other funds	0	0	13,369	13,369
Due from other governments	172,547	0	0	172,547
Prepaid expenses	12,510	0	0	12,510
Total Assets	\$ 190,167	10,349	856,189	1,056,705
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 27,915	0	92,026	119,941
Deferred revenue:				
Succeeding year property tax	0	0	197,469	197,469
Income surtax	0	0	241,692	241,692
Total liabilities	27,915	0	531,187	559,102
Fund balances:				
Restricted for:				
School infrastructure	162,252	10,349	0	172,601
Physical plant and equipment	0	0	325,002	325,002
Total fund balances	162,252	10,349	325,002	497,603
Total Liabilities and Fund Balances	\$ 190,167	10,349	856,189	1,056,705

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Building Projects	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,003,401	0	423,191	1,426,592
Other	61,668	0	950	62,618
State sources	0	0	1	1
Federal sources	0	0	18,409	18,409
TOTAL REVENUES	1,065,069	0	442,551	1,507,620
EXPENDITURES:				
Current:				
Instruction:				
Regular	0	0	27,939	27,939
Support services:				
Instructional staff	0	0	12,883	12,883
Operation and maintenance of plant	1,201	0	121,720	122,921
Transportation	0	0	34,425	34,425
Other expenditures:				
Facilities acquisitions	1,891,623	0	225,170	2,116,793
TOTAL EXPENDITURES	1,892,824	0	422,137	2,314,961
Excess(Deficiency) of revenues over(under) expenditures	(827,755)	0	20,414	(807,341)
Other financing sources(uses):				
Transfer in	0	10,349	0	10,349
Transfer out	(10,349)	0	(47,551)	(57,900)
Total other financing sources(uses)	(10,349)	10,349	(47,551)	(47,551)
Net change in fund balances	(838,104)	10,349	(27,137)	(854,892)
Fund balances beginning of year, as restated	1,000,356	0	352,139	1,352,495
Fund balances end of year	\$ 162,252	10,349	325,002	497,603

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COOMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ 0	1,707	578	0	1,129
Debate	110	3,000	2,387	0	723
Vocal Music	3,611	30,964	32,664	0	1,911
Middle School Vocal Music	0	6,940	6,073	0	867
Show Choir Costume	11,295	5,861	6,789	0	10,367
High School Band	2,406	24,368	24,895	0	1,879
High School Color Guard	1,178	484	0	0	1,662
Middle School Band	2,371	11,965	9,325	0	5,011
Musical	2,324	3,949	3,726	0	2,547
High School Cross Country	0	2,698	4,809	0	(2,111)
Middle School Cross Country	29	0	195	0	(166)
Boys Basketball	4,500	12,893	11,195	0	6,198
Middle School Boys Basketball	0	0	300	0	(300)
Football	9,992	16,006	7,750	0	18,248
Middle School Football	0	0	968	0	(968)
Soccer	0	2,872	3,240	0	(368)
Baseball	(229)	9,012	8,537	229	475
Boys Track	0	20,983	18,768	0	2,215
Middle School Boys Track	0	25	269	0	(244)
Boys Tennis	280	3,005	3,069	0	216
Boys Golf	160	5,075	6,480	0	(1,245)
Wrestling	0	28,887	18,271	0	10,616
Middle School Wrestling	0	3,324	718	0	2,606
High School Girls Basketball	1,937	7,160	5,577	0	3,520
Middle School Girls Basketball	0	0	735	0	(735)
High School Volleyball	0	11,531	11,373	0	158
Middle School Volleyball	0	1,912	852	0	1,060
Girls Soccer	0	2,984	2,556	0	428
Softball	0	8,620	10,001	0	(1,381)
High School Girls Track	22	16,361	11,571	0	4,812
Middle School Girls Track	0	0	413	0	(413)
Girls Tennis	470	2,195	1,123	0	1,542
Girls Golf	0	3,158	1,249	0	1,909
National Honor Society	468	1,639	2,023	0	84
Student Council	3,826	4,172	5,411	0	2,587
FFA	5,936	36,532	34,628	0	7,840
Middle School Student Council	470	1,761	1,781	0	450
Prime Time	3,068	1,362	393	0	4,037
MS Activities	0	363	223	0	140

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Javelin	8,149	11,944	10,196	0	9,897
Cheerleaders	(3,613)	15,625	4,677	0	7,335
Pride	3,276	2,890	2,490	0	3,676
Schuler Student Council	1,104	3,181	221	0	4,064
Jr Class Prom	3,813	6,288	5,764	0	4,337
Coke	567	311	0	0	878
General Activity	0	21,614	10,442	(229)	10,943
Student Connection	1,418	691	548	0	1,561
Operation Special Kids	3	0	0	0	3
Hosp BD Activity	2,262	940	3,024	0	178
Schuler Resource Activity	190	0	0	0	190
Insuff. Funds	0	877	929	0	(52)
Level II SPED	43	0	0	0	43
Interest	0	412	0	0	412
Total	\$ 71,436	358,541	299,206	0	130,771

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 80,660	33,013	107,314	6,359
Liabilities				
Due to other groups	\$ 80,660	33,013	107,314	6,359

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 EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 7,391,052	6,871,584	6,475,866	5,976,105	5,657,116	5,519,381	4,636,402	4,252,623
Tuition	1,050,609	1,144,334	1,136,351	1,034,146	1,013,833	905,598	804,293	742,794
Other	854,453	654,946	617,852	914,129	644,158	858,431	499,693	457,789
Intermediate sources	0	0	0	0	0	0	0	7,121
State sources	7,574,184	6,901,842	7,682,348	7,348,171	7,006,302	6,380,868	6,015,939	5,956,968
Federal sources	983,670	1,539,835	743,984	441,246	403,571	438,369	516,049	378,137
Total	\$ 17,853,968	17,112,541	16,656,401	15,713,797	14,724,980	14,102,647	12,472,376	11,795,432
Expenditures:								
Instruction:								
Regular	\$ 6,206,164	6,176,665	6,252,296	5,893,497	5,717,955	5,410,666	5,000,500	4,936,636
Special	2,296,607	2,258,358	2,622,408	2,469,704	2,160,567	1,921,407	1,502,442	1,615,769
Other	1,721,124	1,906,405	1,598,669	1,597,619	896,025	831,840	1,123,659	703,959
Support services:								
Student	417,724	458,038	426,546	380,348	375,303	387,154	306,622	340,420
Instructional staff	630,764	608,228	594,531	706,069	597,916	578,921	455,264	326,908
Administration	1,391,061	1,458,125	1,453,341	1,316,769	1,232,323	1,100,090	1,011,689	972,797
Operation and maintenance								
of plant	1,307,329	1,230,056	1,260,802	1,217,498	1,198,317	1,193,207	1,056,285	976,804
Transportation	598,783	579,645	712,917	531,663	521,875	512,138	431,331	361,088
Central support	0	0	0	0	0	0	4,745	2,663
Non-instructional programs	11,423	12,246	12,644	12,398	10,133	8,681	20,778	17,284
Other expenditures:								
Facilities acquisitions	2,116,793	2,464,044	2,095,735	108,805	379,086	612,430	194,372	133,377
Long-term debt:								
Principal	742,666	681,151	615,000	595,000	565,000	545,000	525,000	510,000
Interest and other charges	24,255	117,218	130,573	155,116	178,422	200,904	222,560	243,597
AEA flow-through	581,707	569,666	518,992	476,641	456,669	410,189	406,718	415,603
Total	\$ 18,046,400	18,519,845	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, 2011

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 11	\$ 47,192
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	323,104 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 11	<u>20,932</u>
			<u>391,228</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 10	5,334
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 11	244,105
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0387-GC	31,337
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 11	<u>39</u>
			<u>280,815</u>
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	FY 11	<u>3,856 **</u>
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 11	<u>18,409</u>
PARENTAL INFORMATION AND RESOURCE CENTERS	84.310	FY 10	12,062
PARENTAL INFORMATION AND RESOURCE CENTERS	84.310	FY 11	<u>3,983</u>
			<u>16,045</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 11	<u>72,823</u>
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 11	<u>9,471</u>
STATE FISCAL STABILIZATION FUND(SFSF) GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	<u>66,818</u>
EDUCATION JOBS FUND	84.410	FY 11	<u>284,646</u>
IOWA WESTERN COMMUNITY COLLEGE:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	<u>14,172</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 11	<u>76,921 **</u>
ENGLISH LANGUAGE ACQUISITION GRANTS	84.365	FY 11	<u>9,113</u>
TOTAL			<u>\$ 1,244,317</u>

* - Includes \$47,637 of non-cash awards.

** - Total for Special Education Cluster(IDEA) is \$80,777.

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)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

To the Board of Education of the
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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 13, 2012. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be a material weakness and others we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of findings and Questioned Costs as item II-A-11 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-11, II-C-11 and II-D-11 to be significant deficiencies.

Compliance and Other Matters

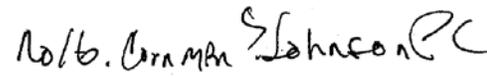
As part of obtaining reasonable assurance about whether Atlantic Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have 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, 2011 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.

January 13, 2012

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

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

Compliance

We have audited Atlantic Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Atlantic Community School District's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

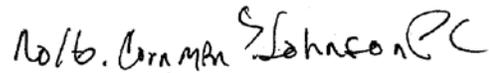
Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance 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, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, somewhat stylized font.

NOLTE, CORNMAN & JOHNSON, P.C.

January 13, 2012

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness and 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 material weaknesses 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 programs:
- CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
- (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, 2011

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 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 has a Business Procedures Manual that addresses timeliness of deposits sponsors handling of money. Employees are required to sign off that they have read and understand the manual. The manual is readily available on the school's website. Employees will be reminded of the procedures to be followed with regard to deposits and turning in money.

Conclusion - Response accepted.

II-B-11 Receipting/Depositing Process - We noted during our audit of the receipting process that Washington Elementary staff was not always following receipting procedures to submit timely deposits.

Recommendation - The District should review and discuss the internal controls of the District and review potential areas for improvement. During such review, the District should evaluate areas of weakness and determine if there are potential processes which could be implemented to mitigate potential error or risk of fraud. At a minimum, the District should require that all buildings are following prescribed procedures.

Response - The District wrote a memo to Washington Elementary School Administration addressing the need for timely deposits and made reference to the Business Procedures Manual.

Conclusion - Response accepted.

II-C-11 Supporting Documents for Payments Made - During our fieldwork, we noted that the District made a payment to Camblin Mechanical Inc. for \$223,408.68, but did not have a supporting invoice or any other documentation to support the payment. The District has subsequently provided supporting documentation for the payment made.

Recommendation - The District should review its procedures to ensure that all payments made have supporting documentation to support the purchase.

Response – In the future, the District will have adequate documentation to support every disbursement made.

Conclusion - Response accepted.

II-D-11 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values at the end of the year.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - The District will use the commodity pricing list issued by the state in calculation of its commodity pricing for the Certified Annual Report.

Conclusion - Response accepted.

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011 exceeded the amount budgeted in the other expenditures functional area.

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

Response – In the future, the District will amend the budget in accordance with Chapter 24.9 of the Code of Iowa before the budgeted amounts are exceeded..

Conclusion - Response accepted.

IV-B-11 Questionable Disbursements - We noted during our audit expenditures for awards/rewards, including cash cards and gift certificates to be given to students as incentives for being top sellers in fund raisers, academic performance and/or good behavior. Cash cards/gift certificates do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from giving prizes to individual students as performance incentives, for being top sellers in fund raisers or for good behavior. Additionally, the District should refrain from purchasing cash cards/gift certificates as the Board cannot audit the final purchase.

Response - The District will refrain from giving gift cards or cash to students as incentives for various sales and fundraising projects. All building administrators were given a review of acceptable practices for student fundraising. Additionally, the district will refrain from purchasing gift cards/cash cards.

Conclusion - Response accepted.

IV-C-11 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.

IV-D-11 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)	\$89,003
DeeAnn Schreiner, Aide Spouse is manager for Reinhart Food Service	Purchased Services	\$46,998

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

IV-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted variances in the basic enrollment data certified to the Department of Education. The total number of students certified was overstated by 16.4 students.

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-11 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was understated by 3.395 for the fall of 2010.

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-I-11 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-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,000,356
Revenues:		
Sales tax revenues	\$ 1,003,401	
Other local revenues	61,668	1,065,069
		<u>2,065,425</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 1,541,764	
Equipment	1,201	
Other	349,859	
Transfers to other funds:		
Building projects fund	10,349	1,903,173
		<u>1,903,173</u>
Ending Balance		<u>\$ 162,252</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-11 Financial Condition - The Debt Service Fund had a deficit fund balance of \$110,883. The District also had eleven accounts in the Student Activity Fund that had deficit balances at the end of the year totaling \$7,983.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit accounts.

Response - The District will review and eliminate negative student activity funds. The district is in the process of removing and combining various unused student activity funds. The Debt Service Fund will be properly funded for the principal and interest payments.

Conclusion - Response accepted.

IV-N-11 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. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. More specific examples of these instances of questioned items and recommendations are as follows:

Donations/Commissions: We noted donations from Target and Life Touch commissions recorded in the Student Activity Fund.

Recommendation - Target donations are identified for instructional purposes and, therefore, would be more appropriately recorded in the General Fund. All commissions should be recorded in the General Fund including Life Touch commissions. If a donation is made without specific guidance as to the allowable purchase, the District's Board of Directors can restrict such monies for any allowable use. In those instances, the designation should be noted in the District's board minutes.

Response - The District will credit all revenue received in the form of donations and commissions to the General Fund.

Conclusion - Response accepted.

Administratively Maintained Accounts: We noted during our audit the District had a Coke Fund account in the Student Activity Fund. This account is not a student run organization and does not appear to be extracurricular in nature and should therefore, be run through the General Fund.

Recommendation - The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The District will review all funds listed in the activity fund account to determine that they are indeed student funds.

Conclusion - Response accepted.