

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

JUNE 30, 2013

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**ATLANTIC COMMUNITY SCHOOL DISTRICT**

**Officials**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
<b>Board of Education</b>		
Kristy Pellett	Board President	2013
Dennis Davis	Vice President	2015
Phil Hascall	Board Member	2015
Rodney Hartwig	Board Member	2015
Josh McLaren	Board Member	2013
<b>School Officials</b>		
Dr. Michael Amstein	Superintendent	2013
Mary Beth Fast	Business Manager/Board Secretary	2013
Melinda McDermott	District Treasurer	2013
Brett Nitzschke	Attorney	2013



*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:**

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Atlantic Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

**Members American Institute & Iowa Society of Certified Public Accountants**

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Atlantic Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, 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.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated May 19, 2014 on our consideration of Atlantic Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Atlantic Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

May 19, 2014  
Newton, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### 2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased to \$15,625,191 in fiscal year 2013 from \$15,146,548 in fiscal year 2012, while General Fund expenditures increased from \$15,434,964 in fiscal 2012 to \$16,749,615 in fiscal 2013. The increase in General Fund revenues was not enough to offset the increase in expenditures causing a decrease in the District's General Fund balance from \$1,659,070 at June 30, 2012 to \$534,646 at June 30, 2013, a 67.77% decrease from prior year.
- The increase in General fund revenues was attributed to the increase in local tax collected during fiscal 2013 while the increase in expenditures can be attributed to an increase in salaries and benefits received by District employees.

### USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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.

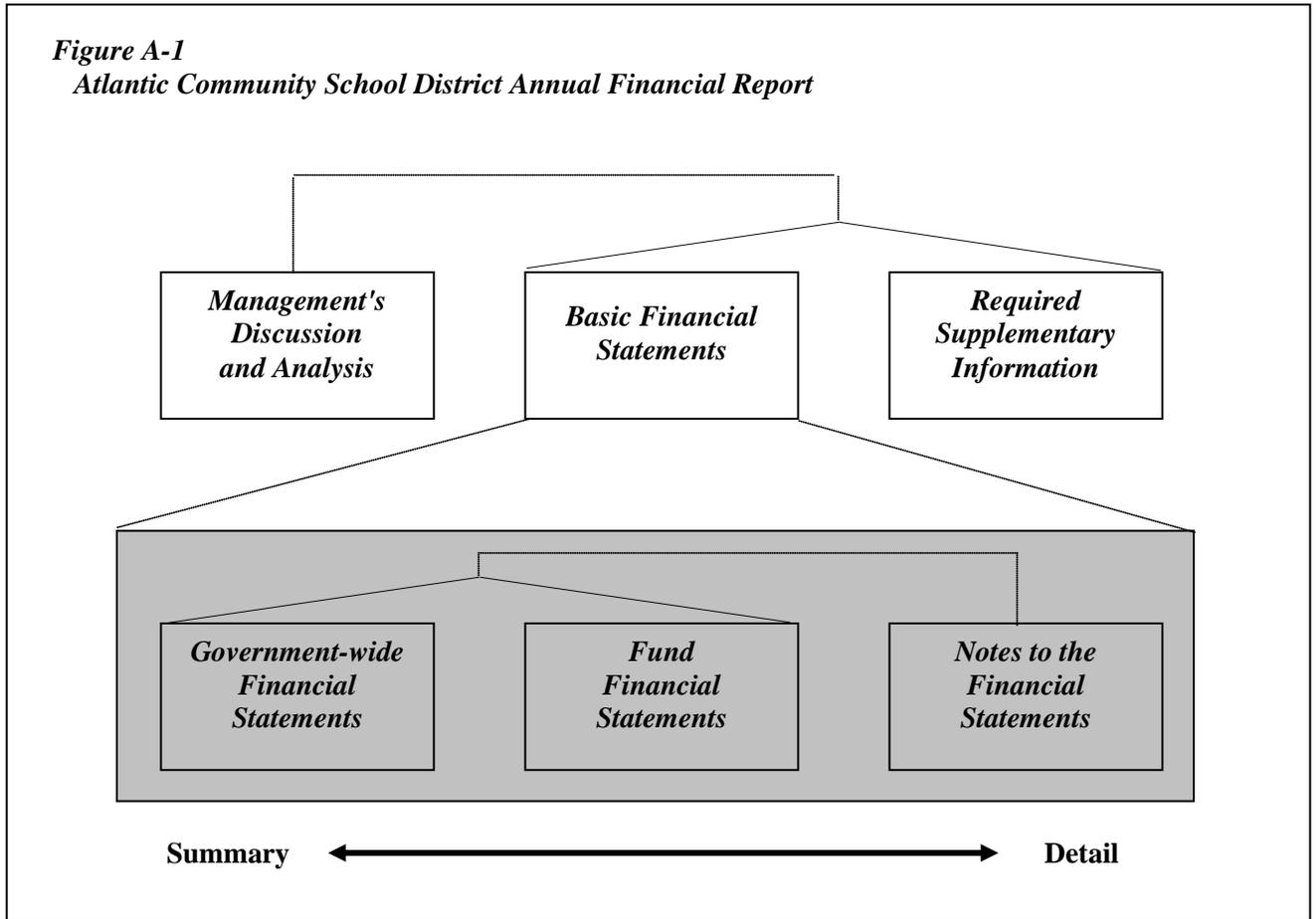
Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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.

Supplementary Information provides detailed information about the nonmajor governmental 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-1**  
*Atlantic Community School District Annual Financial Report*



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

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

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

The District's internal service fund (another type of proprietary fund) is the same as its governmental activities but provide more detail and additional information, such as cash flows. The District has one internal service fund to track revenues and expenditures for the District's partially self-funded insurance program.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This includes the Private-Purpose Trust Fund.

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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 position and a statement of changes in fiduciary net position.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Figure A-3** below provides a summary of the District's net position for the year ended June 30, 2013 compared to June 30, 2012.

Figure A-3  
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 12,091,469	15,312,895	479,946	469,844	12,571,415	15,782,739	-20.35%
Capital assets	22,182,685	19,643,610	92,874	65,496	22,275,559	19,709,106	13.02%
Total assets	34,274,154	34,956,505	572,820	535,340	34,846,974	35,491,845	-1.82%
Long-term obligations	7,606,323	8,224,799	2,787	2,298	7,609,110	8,227,097	-7.51%
Other liabilities	8,467,846	8,491,769	24,244	40,690	8,492,090	8,532,459	-0.47%
Total liabilities	16,074,169	16,716,568	27,031	42,988	16,101,200	16,759,556	-3.93%
Net position:							
Invested in capital assets, net of related debt	15,085,847	14,319,968	92,874	65,496	15,178,721	14,385,464	5.51%
Restricted	2,369,190	2,124,419	-	-	2,369,190	2,124,419	11.52%
Unrestricted	744,948	1,795,550	452,915	426,856	1,197,863	2,222,406	-46.10%
Total net position	\$ 18,199,985	18,239,937	545,789	492,352	18,745,774	18,732,289	0.07%

The District's combined net position increased by 0.07%, or \$13,485, over the prior year. The largest portion of the District's net position 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 position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$244,771, or 11.52% from the prior year. The increase in restricted net position can be attributed to the increase in ending fund balance for the Student Activity Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$1,024,543, or 46.10%. The decrease in unrestricted net position is mainly attributable to the decrease in ending fund balance for the General Fund.

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

Figure A-4  
Changes of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 1,269,207	1,261,622	381,536	344,014	1,650,743	1,605,636	2.81%
Operating grants and contributions and restricted interest	1,740,992	2,554,006	498,772	421,862	2,239,764	2,975,868	-24.74%
Capital grants and contributions and restricted interest	-	62,031	-	-	-	62,031	-100.00%
General revenues:							
Property tax	5,612,548	5,786,793	-	-	5,612,548	5,786,793	-3.01%
Income surtax	984,668	867,454	-	-	984,668	867,454	13.51%
Statewide sales, services and use tax	1,230,808	1,160,885	-	-	1,230,808	1,160,885	6.02%
Unrestricted state grants	7,294,770	6,322,890	-	-	7,294,770	6,322,890	15.37%
Non-specific program federal grants	-	79,125	-	-	-	79,125	-100.00%
Unrestricted investment earnings	1,114	16,537	110	2,686	1,224	19,223	-93.63%
Other	185,735	173,782	2,150	9,168	187,885	182,950	2.70%
Transfers	(19,484)	-	19,484	-	-	-	0.00%
Total revenues & transfers	18,300,358	18,285,125	902,052	777,730	19,202,410	19,062,855	0.73%
Program expenses:							
Instruction	12,104,338	10,856,564	-	-	12,104,338	10,856,564	11.49%
Support services	4,777,427	5,360,791	6,366	2,826	4,783,793	5,363,617	-10.81%
Non-instructional programs	3,491	197	842,249	747,664	845,740	747,861	13.09%
Other expenditures	1,455,054	1,449,603	-	-	1,455,054	1,449,603	0.38%
Total expenses	18,340,310	17,667,155	848,615	750,490	19,188,925	18,417,645	4.19%
Change in net position	(39,952)	617,970	53,437	27,240	13,485	645,210	-97.91%
Beginning net position	18,239,937	17,621,967	492,352	465,112	18,732,289	18,087,079	3.57%
Ending net position	\$ 18,199,985	18,239,937	545,789	492,352	18,745,774	18,732,289	0.07%

In fiscal 2013, local tax (property tax, income surtax and statewide sales, service and use tax) and unrestricted state grants accounted for 82.64% of the revenue from governmental activities while charges for services and operating grants and contributions account for approximately 97.59% of the revenue from business type activities.

The District's total revenues were approximately \$19.20 million of which approximately \$18.30 million was for governmental activities and approximately \$0.90 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 0.73% in revenues and a 4.19% increase in expenses. The increase in expenses was largely attributable to increased salaries and benefits received by District employees as well as the increase in net OPEB liability during the year.

### Governmental Activities

Revenues for governmental activities were \$18,300,358 and expenses were \$18,340,310.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 12,104,338	10,856,564	11.49%	9,648,322	7,663,708	25.90%
Support services	4,777,427	5,360,791	-10.88%	4,764,745	5,201,713	-8.40%
Non-instructional programs	3,491	197	1672.08%	3,491	197	1672.08%
Other expenses	1,455,054	1,449,603	0.38%	913,553	923,878	-1.12%
Totals	<u>\$ 18,340,310</u>	<u>17,667,155</u>	<u>3.81%</u>	<u>15,330,111</u>	<u>13,789,496</u>	<u>11.17%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,269,207.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,740,992.
- The net cost of governmental activities was financed with \$5,612,548 in property tax, \$984,668 in income surtax, \$1,230,808 in statewide sales, service and use tax, \$7,294,770 in unrestricted state grants, \$1,114 in interest income and \$166,251 in other general revenues net of transfers.

### Business Type Activities

Revenues of the District's business type activities net of transfers were \$902,052 and expenses were \$848,615. 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 \$2,563,698, below last year's ending fund balances of \$5,839,793. However, the primary reason for the decrease in combined fund balance is mainly because of the decrease in the fund balance of the Capital Projects accounts.

### **Governmental Fund Highlights**

- The District's decrease in General Fund financial position from \$1,659,070 at June 30, 2012 to \$534,646 at June 30, 2013 is a product of many factors. Revenues increased due to the increase in the amount of local tax collected during the year while expenditures increased due to an increase in salaries and benefits paid to District employees.
- The Capital Projects Accounts(Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund) combined balance decreased from \$3,279,315 at June 30, 2012 to \$1,093,643 at June 30, 2013. The Statewide Sales, Services and Use Tax Fund decreased to an ending fund balance of \$929,806 at June 30, 2013 compared to \$2,947,871 at June 30, 2012. The Physical Plant and Equipment Levy Fund decreased from a fund balance of \$321,095 at June 30, 2012 to \$163,837 at June 30, 2013.

### **Proprietary Fund Highlights**

The Proprietary Fund net position increased from \$492,352 at June 30, 2012 to \$545,789 at June 30, 2013, representing an increase of 10.44%. Fund revenues being greater than fund expenditures enabled the fund to increase overall.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$259,423 less than budgeted revenues, a variance of 1.33%. The most significant variance resulted from the District receiving less in federal source revenues 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 support services functional area.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2013, the District had invested approximately \$22.28 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 13.02% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$813,574.

The original cost of the District's capital assets was \$33.85 million. Governmental funds account for approximately \$33.56 million with the remainder of approximately \$0.29 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 \$7,921,742 at June 30, 2013 as compared to \$4,796,016 at June 30, 2012. The increase in construction in progress is due to the Middle School renovation project that was not completed at year end.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 928,419	928,419	-	-	928,419	928,419	0.00%
Construction in progress	7,921,742	4,796,016	-	-	7,921,742	4,796,016	65.17%
Buildings	12,455,688	13,040,178	-	-	12,455,688	13,040,178	-4.48%
Land improvements	519,351	599,688	-	-	519,351	599,688	-13.40%
Machinery and equipment	357,485	279,309	92,874	65,496	450,359	344,805	30.61%
Total	\$ 22,182,685	19,643,610	92,874	65,496	22,275,559	19,709,106	13.02%

### Long-Term Debt

At June 30, 2013, the District had \$7,609,110 in revenue bonds payable, bus lease payable and other long-term debt outstanding. This represents a decrease of 7.51% from last year. (See Figure A-7) More detailed information about the District's long-term debt is available in Note 5 to the financial statements.

At June 30, 2013, the District had \$7,045,000 of revenue bonds outstanding.

The District had outstanding bus lease payable from the Capital Projects: Physical Plant and Equipment Levy Fund of \$51,838 at June 30, 2013.

The District had outstanding termination benefits payable of \$62,796 at June 30, 2013. \$35,883 is payable from the Management Levy Fund and the remaining \$26,913 is payable from the General Fund.

The District also had a net OPEB liability of \$449,476 at June 30, 2013. Governmental activities account for \$446,689 and business type activities account for \$2,787.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2013	2012	2013	2012	2013	2012	2012-13
General Obligation Bonds	\$ -	345,000	-	-	-	345,000	-100.00%
Revenue Bonds	7,045,000	7,340,000	-	-	7,045,000	7,340,000	-4.02%
Bus Lease	51,838	45,863	-	-	51,838	45,863	13.03%
Termination Benefits	62,796	125,592	-	-	62,796	125,592	-50.00%
Net OPEB Liability	446,689	368,344	2,787	2,298	449,476	370,642	21.27%
Total	\$ 7,606,323	8,224,799	2,787	2,298	7,609,110	8,227,097	-7.51%

## **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's enrollment continues to remain stable and this trend is expected to continue or rise slightly over the next few years.
- The District's health insurance premiums rose again due to high claimants, this in turn has impacted the General Fund.
- The increase in IPERS for the employer paid portion from 8.67% in FY13 to 8.93% in FY 14 will increase benefit costs paid from the General Fund.
- While the agriculture economy is expected to improve, this in turn will impact spending and revenue generated from the Statewide Sales, Services and Use Tax.

## **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 POSITION  
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 4,522,542	470,362	4,992,904
Receivables:			
Property tax:			
Delinquent	59,760	-	59,760
Succeeding year	5,839,597	-	5,839,597
Income surtax	862,803	-	862,803
Accounts	73,940	-	73,940
Due from other governments	732,827	-	732,827
Inventories	-	9,584	9,584
Capital assets, net of accumulated depreciation	22,182,685	92,874	22,275,559
<b>TOTAL ASSETS</b>	<b>34,274,154</b>	<b>572,820</b>	<b>34,846,974</b>
<b>LIABILITIES</b>			
Accounts payable	1,142,608	14,186	1,156,794
Salaries and benefits payable	1,485,472	-	1,485,472
Accrued interest payable	169	-	169
Deferred revenue:			
Succeeding year property tax	5,839,597	-	5,839,597
Unearned revenue	-	10,058	10,058
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	-	-	-
Revenue bonds payable	320,000	-	320,000
Bus lease payable	51,838	-	51,838
Termination benefits	62,796	-	62,796
Portion due after one year:			
Revenue bonds payable	6,725,000	-	6,725,000
Net OPEB liability	446,689	2,787	449,476
<b>TOTAL LIABILITIES</b>	<b>16,074,169</b>	<b>27,031</b>	<b>16,101,200</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	15,085,847	92,874	15,178,721
Restricted for:			
Categorical funding	376,021	-	376,021
Management levy purposes	71,821	-	71,821
Student activities	180,016	-	180,016
School infrastructure	929,806	-	929,806
Physical plant and equipment levy	163,837	-	163,837
Debt service	647,689	-	647,689
Unrestricted	744,948	452,915	1,197,863
<b>TOTAL NET POSITION</b>	<b>\$ 18,199,985</b>	<b>545,789</b>	<b>18,745,774</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 7,171,967	562,079	229,920	(6,379,968)	-	(6,379,968)
Special	2,778,045	347,098	254,398	(2,176,549)	-	(2,176,549)
Other	2,154,326	347,348	715,173	(1,091,805)	-	(1,091,805)
	<u>12,104,338</u>	<u>1,256,525</u>	<u>1,199,491</u>	<u>(9,648,322)</u>	<u>-</u>	<u>(9,648,322)</u>
Support services:						
Student	505,873	-	-	(505,873)	-	(505,873)
Instructional staff	785,672	-	-	(785,672)	-	(785,672)
Administration	1,515,492	-	-	(1,515,492)	-	(1,515,492)
Operation and maintenance of plant	1,324,534	-	-	(1,324,534)	-	(1,324,534)
Transportation	645,856	12,682	-	(633,174)	-	(633,174)
	<u>4,777,427</u>	<u>12,682</u>	<u>-</u>	<u>(4,764,745)</u>	<u>-</u>	<u>(4,764,745)</u>
Non-instructional programs:						
Food service operations	3,491	-	-	(3,491)	-	(3,491)
	<u>3,491</u>	<u>-</u>	<u>-</u>	<u>(3,491)</u>	<u>-</u>	<u>(3,491)</u>
Long-term debt interest						
	<u>237,751</u>	<u>-</u>	<u>-</u>	<u>(237,751)</u>	<u>-</u>	<u>(237,751)</u>
Other expenditures:						
AEA flowthrough	541,501	-	541,501	-	-	-
Depreciation(unallocated)*	675,802	-	-	(675,802)	-	(675,802)
	<u>1,217,303</u>	<u>-</u>	<u>541,501</u>	<u>(675,802)</u>	<u>-</u>	<u>(675,802)</u>
Total governmental activities	<u>18,340,310</u>	<u>1,269,207</u>	<u>1,740,992</u>	<u>(15,330,111)</u>	<u>-</u>	<u>(15,330,111)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	6,346	-	-	-	(6,346)	(6,346)
Transportation	20	-	-	-	(20)	(20)
	<u>6,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,366)</u>	<u>(6,366)</u>
Non-instructional programs:						
Food service operations	842,249	381,536	498,772	-	38,059	38,059
Total business type activities	<u>848,615</u>	<u>381,536</u>	<u>498,772</u>	<u>-</u>	<u>31,693</u>	<u>31,693</u>
Total	<u>\$ 19,188,925</u>	<u>1,650,743</u>	<u>2,239,764</u>	<u>(15,330,111)</u>	<u>31,693</u>	<u>(15,298,418)</u>
<b>General Revenues &amp; Transfers:</b>						
Property tax levied for:						
General purposes				\$ 5,046,625	-	5,046,625
Debt service				340,640	-	340,640
Capital outlay				225,283	-	225,283
Income surtax				984,668	-	984,668
Statewide sales, services and use tax				1,230,808	-	1,230,808
Unrestricted state grants				7,294,770	-	7,294,770
Unrestricted investment earnings				1,114	110	1,224
Gain on sale of assets				2,864	-	2,864
Other				182,871	2,150	185,021
Transfers				(19,484)	19,484	-
Total general revenues				<u>15,290,159</u>	<u>21,744</u>	<u>15,311,903</u>
Change in net position				(39,952)	53,437	13,485
Net position beginning of year				<u>18,239,937</u>	<u>492,352</u>	<u>18,732,289</u>
Net positin end of year				<u>\$ 18,199,985</u>	<u>545,789</u>	<u>18,745,774</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, 2013

	Capital			Total
	General	Projects	Nonmajor	
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,651,463	1,324,016	1,349,772	4,325,251
Receivables:				
Property tax:				
Delinquent	51,464	2,382	5,914	59,760
Succeeding year	5,127,383	212,214	500,000	5,839,597
Income surtax	616,288	246,515	-	862,803
Accounts	22,536	46,208	5,196	73,940
Due from other governments	576,107	156,720	-	732,827
<b>TOTAL ASSETS</b>	<b>\$ 8,045,241</b>	<b>1,988,055</b>	<b>1,860,882</b>	<b>11,894,178</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 281,452	435,683	425,473	1,142,608
Salaries and benefits payable	1,485,472	-	-	1,485,472
Deferred revenue:				
Succeeding year property tax	5,127,383	212,214	500,000	5,839,597
Income surtax	616,288	246,515	-	862,803
Total liabilities	7,510,595	894,412	925,473	9,330,480
Fund balances:				
Restricted for:				
Categorical funding	376,021	-	-	376,021
Management levy purposes	-	-	107,704	107,704
Student activities	-	-	180,016	180,016
School infrastructure	-	929,806	-	929,806
Physical plant and equipment	-	163,837	-	163,837
Debt service	-	-	647,689	647,689
Unassigned	158,625	-	-	158,625
Total fund balances	534,646	1,093,643	935,409	2,563,698
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,045,241</b>	<b>1,988,055</b>	<b>1,860,882</b>	<b>11,894,178</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT D

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

<b>Total fund balances of governmental funds(page 20)</b>	\$ 2,563,698
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	22,182,685
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	862,803
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.	(169)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	197,291
Long-term liabilities, including revenue bonds payable, bus lease payable, termination benefits 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>(7,606,323)</u>
<b>Net position of governmental activities(page 18)</b>	<u><u>\$ 18,199,985</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, 2013

	General	Capital Projects	Nonmajor	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 5,525,441	1,733,126	557,629	7,816,196
Tuition	875,803	-	-	875,803
Other	333,883	46,384	345,684	725,951
State sources	8,219,651	-	-	8,219,651
Federal sources	667,549	-	-	667,549
Total revenues	<u>15,622,327</u>	<u>1,779,510</u>	<u>903,313</u>	<u>18,305,150</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	7,092,119	2,058	117,068	7,211,245
Special	2,776,536	-	-	2,776,536
Other	1,849,505	-	307,696	2,157,201
	<u>11,718,160</u>	<u>2,058</u>	<u>424,764</u>	<u>12,144,982</u>
Support services:				
Student	505,204	-	-	505,204
Instructional staff	667,488	117,696	-	785,184
Administration	1,492,291	1,000	27,912	1,521,203
Operation and maintenance of plant	1,203,691	438,837	45,740	1,688,268
Transportation	621,280	105,362	14,372	741,014
	<u>4,489,954</u>	<u>662,895</u>	<u>88,024</u>	<u>5,240,873</u>
Non-instructional programs:				
Food service operations	-	-	3,893	3,893
Capital outlay	-	2,779,249	-	2,779,249
Long-term debt:				
Principal	-	-	739,387	739,387
Interest and fiscal charges	-	-	239,586	239,586
	<u>-</u>	<u>-</u>	<u>978,973</u>	<u>978,973</u>
Other expenditures:				
AEA flowthrough	541,501	-	-	541,501
Total expenditures	<u>16,749,615</u>	<u>3,444,202</u>	<u>1,495,654</u>	<u>21,689,471</u>
Deficiency of revenues under expenditures	(1,127,288)	(1,664,692)	(592,341)	(3,384,321)
Other financing sources(uses):				
Sale of equipment	2,864	-	-	2,864
Transfer in	-	-	626,342	626,342
Transfer out	-	(626,342)	-	(626,342)
Bus lease proceeds	-	105,362	-	105,362
Total other financing sources(uses)	<u>2,864</u>	<u>(520,980)</u>	<u>626,342</u>	<u>108,226</u>
Change in fund balances	(1,124,424)	(2,185,672)	34,001	(3,276,095)
Fund balances beginning of year	<u>1,659,070</u>	<u>3,279,315</u>	<u>901,408</u>	<u>5,839,793</u>
Fund balances end of year	<u>\$ 534,646</u>	<u>1,093,643</u>	<u>935,409</u>	<u>2,563,698</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2013

**Change in fund balances - total governmental funds(page 22)** \$ (3,276,095)

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

Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Activities 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 outlay	\$ 3,336,930	
Depreciation expense	(797,855)	2,539,075

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 11,828

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

Issued	\$ (105,362)	
Repaid	739,387	634,025

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. 1,835

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 64,929

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:

Termination benefits	\$ 62,796	
Other postemployment benefits	(78,345)	(15,549)

**Change in net position of governmental activities(page 19)** \$ (39,952)

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013

	Business Type Activities: Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
<b>ASSETS</b>		
Cash and cash equivalents	\$ 470,362	197,291
Accounts receivable	-	-
Inventories	9,584	-
Capital assets, net of accumulated depreciation	92,874	-
<b>TOTAL ASSETS</b>	<b>572,820</b>	<b>197,291</b>
<b>LIABILITIES</b>		
Accounts payable	14,186	-
Unearned revenues	10,058	-
Net OPEB liability	2,787	-
<b>TOTAL LIABILITIES</b>	<b>27,031</b>	<b>-</b>
<b>NET POSITION</b>		
Invested in capital assets	92,874	-
Unrestricted	452,915	197,291
<b>TOTAL NET POSITION</b>	<b>\$ 545,789</b>	<b>197,291</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:	
	Enterprise Fund	Governmental
	School Nutrition	Internal Service
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 381,536	-
Contributions	500	-
Miscellaneous	2,150	1,469,507
<b>TOTAL OPERATING REVENUES</b>	<b>384,186</b>	<b>1,469,507</b>
OPERATING EXPENSES:		
Instruction:		
Regular:		
Benefits	-	52,176
Support services:		
Administration:		
Services	-	1,352,426
Operation and maintenance of plant:		
Services	6,346	-
Transportation:		
Supplies	20	-
	<b>6,366</b>	<b>1,352,426</b>
Non-instructional programs:		
Food service operations:		
Salaries	314,881	-
Benefits	63,186	-
Services	3,576	-
Supplies	444,115	-
Depreciation	15,719	-
Other	772	-
	<b>842,249</b>	<b>-</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>848,615</b>	<b>1,404,602</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(464,429)</b>	<b>64,905</b>
NON-OPERATING REVENUES:		
State sources	7,058	-
Federal sources	491,214	-
Interest income	110	24
<b>TOTAL NON-OPERATING REVENUES</b>	<b>498,382</b>	<b>24</b>
Change in net position before other financing sources	33,953	64,929
Other financing sources:		
Capital contributions	19,484	-
Change in net position	53,437	64,929
Net position beginning of year	492,352	132,362
Net position end of year	<b>\$ 545,789</b>	<b>197,291</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT I

ATLANTIC COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013

	Business Type Activities: Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 383,439	-
Cash received from miscellaneous sources	2,650	1,469,507
Cash paid to employees for services	(377,661)	-
Cash paid to suppliers for goods or services	(406,805)	(1,404,602)
Net cash provided by(used in) operating activities	<u>(398,377)</u>	<u>64,905</u>
Cash flows from non-capital financing activities:		
Repayments to General Fund	(16,666)	-
State grants received	7,058	-
Federal grants received	445,083	-
Net cash provided by non-capital financing activities	<u>435,475</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	110	24
Cash flows from capital financing activities:		
Purchase of assets	(23,613)	-
Net increase in cash and cash equivalents	13,595	64,929
Cash and cash equivalents at beginning of year	456,767	132,362
Cash and cash equivalents at end of year	<u>\$ 470,362</u>	<u>197,291</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (464,429)	64,905
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	46,131	-
Depreciation	15,719	-
Decrease in inventories	3,402	-
Decrease in accounts receivable	91	-
Decrease in accounts payable	(1,509)	-
Decrease in salaries and benefits payable	(83)	-
Increase in unearned revenue	1,812	-
Increase in other postemployment benefits	489	-
Net cash provided by(used in) operating activities	<u>\$ (398,377)</u>	<u>64,905</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received \$46,131 of federal commodities.

During the year ended June 30, 2013, the Nutrition Fund received contributed capital of \$10,287 from the General Fund.

During the year ended June 30, 2013, the Nutrition Fund received contributed capital of \$9,197 from the Capital Projects: Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2013

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 155,328
<b>LIABILITIES</b>	<u>-</u>
<b>NET POSITION</b>	
Restricted for scholarships	<u>\$ 155,328</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
ADDITIONS:	
Local sources:	
Interest	\$ 75
Contributions	2,750
TOTAL ADDITIONS	<u>2,825</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u>2,750</u>
Change in net position	75
Net position beginning of year	<u>155,253</u>
Net position end of year	<u>\$ 155,328</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

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

*Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 District reports the following nonmajor proprietary fund:

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

The District reports the following other proprietary fund:

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 Position and the Statement of Activities.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund is the 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.

### **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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

#### **D. Assets, Liabilities and Fund Balances**

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

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

Asset Class	Amount
Land	\$ 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 Position 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 revenue is money collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

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

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

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

**Unassigned** - All amounts not included in other spendable classifications.

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

#### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. At June 30, 2013, expenditures in the support services functional area exceeded the amount budgeted.

#### **Note 2. Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,252,639 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**Note 3. Interfund Transfers**

The detail of interfund transfers for year end June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 101,075
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	525,267
Total		<u>\$ 626,342</u>

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for the principal and interest payment on the District's school bus leases.

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

**Note 4. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 928,419	-	-	928,419
Construction in progress	4,796,016	3,125,726	-	7,921,742
Total capital assets not being depreciated	<u>5,724,435</u>	<u>3,125,726</u>	-	<u>8,850,161</u>
Capital assets being depreciated:				
Buildings	20,586,156	10,975	-	20,597,131
Land improvements	1,656,729	-	-	1,656,729
Machinery and equipment	2,345,263	200,229	84,748	2,460,744
Total capital assets being depreciated	<u>24,588,148</u>	<u>211,204</u>	<u>84,748</u>	<u>24,714,604</u>
Less accumulated depreciation for:				
Buildings	7,545,978	595,465	-	8,141,443
Land improvements	1,057,041	80,337	-	1,137,378
Machinery and equipment	2,065,954	122,053	84,748	2,103,259
Total accumulated depreciation	<u>10,668,973</u>	<u>797,855</u>	<u>84,748</u>	<u>11,382,080</u>
Total capital assets being depreciated, net	<u>13,919,175</u>	<u>(586,651)</u>	-	<u>13,332,524</u>
Governmental activities capital assets, net	<u>\$ 19,643,610</u>	<u>2,539,075</u>	-	<u>22,182,685</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Machinery and equipment	\$ 248,838	43,097	-	291,935
Less accumulated depreciation	183,342	15,719	-	199,061
Business type activities capital assets, net	<u>\$ 65,496</u>	<u>27,378</u>	<u>-</u>	<u>92,874</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 7,376
Other	2,847

Support services:

Administration	1,976
Operation and maintenance of plant	12,264
Transportation	97,590

122,053

Unallocated depreciation	<u>675,802</u>
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Total governmental activities depreciation expense	<u>\$ 797,855</u>
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Business type activities:

Food services	<u>\$ 15,719</u>
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**Note 5. Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Governmental Activities:</u></b>					
General Obligation Bonds	\$ 345,000	-	345,000	-	-
Revenue Bonds	7,340,000	-	295,000	7,045,000	320,000
Bus Leases	45,863	105,362	99,387	51,838	51,838
Termination Benefits	125,592	-	62,796	62,796	62,796
Net OPEB Liability	368,344	78,345	-	446,689	-
Total	<u>\$ 8,224,799</u>	<u>183,707</u>	<u>802,183</u>	<u>7,606,323</u>	<u>434,634</u>
<b><u>Business type activities:</u></b>					
Net OPEB Liability	<u>\$ 2,298</u>	<u>489</u>	<u>-</u>	<u>2,787</u>	<u>-</u>

**Revenue Bonds Payable**

Details of the District's June 30, 2013 revenue bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2011				
	Interest Rates		Principal	Interest	Total
2014	1.25	% \$	320,000	227,355	547,355
2015	1.50		355,000	223,355	578,355
2016	1.75		360,000	218,030	578,030
2017	2.00		365,000	211,730	576,730
2018	2.40		370,000	204,430	574,430
2019-2023	2.70-3.50		2,015,000	862,108	2,877,108
2024-2028	3.65-4.20		2,400,000	482,392	2,882,392
2029-2030	4.25		860,000	43,350	903,350
			<u>\$ 7,045,000</u>	<u>2,472,750</u>	<u>9,517,750</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$7,660,000 of bonds issued in August 2011. The bonds were issued for the purpose of financing renovations to the Middle School. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 44% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$9,517,750. For the current year, \$295,000 of principal and \$230,305 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$1,230,808.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$578,390 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) Monthly transfers from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

**Bus Leases Payable**

Details of the District's June 30, 2013 bus lease payable, which is paid from the Physical Plant and Equipment Levy Fund, are as follows:

Year Ending June 30,	Bus Lease August 22, 2012				
	Interest Rates		Principal	Interest	Total
2014	3.25	% \$	51,838	1,686	53,524

**Termination Benefits Payable (Early Retirement)**

The District offered a voluntary early retirement plan for one year to its full-time certified employees. Eligible employees must have attained the age of fifty-seven on or before August 15<sup>th</sup> 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. During the year ended June 30, 2013, the District paid \$62,796 for early retirement benefits.

**Note 6. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$864,980, \$757,868 and \$621,001 respectively, equal to the required contributions for each year.

**Note 7. Other Postemployment Benefits (OPEB)**

**Plan Description** - The District operates a single-employer retiree health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 147 active and 5 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 Principal. 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 101,212
Interest on net OPEB obligation	9,266
Adjustment to annual required contribution	(24,988)
Annual OPEB cost	<u>85,490</u>
Contributions made	(6,656)
Increase in net OPEB obligation	<u>78,834</u>
Net OPEB obligation - beginning of year	<u>370,642</u>
Net OPEB obligation - end of year	<u><u>\$ 449,476</u></u>

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, 2013.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 102,343	34.47%	\$ 189,390
2012	190,186	4.70%	370,642
2013	85,490	7.79%	449,476

**Funded Status and Funding Progress** - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$0.703 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.703 million. The covered payroll (annual payroll of active employees covered by the plan) was \$8.324 million, and the ratio of the UAAL to the covered payroll was 8.4%. As of June 30, 2013, 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, 2011 actuarial valuation date, the frozen entry age 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 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed from the aging cost assumptions from the 2006 Society of Actuaries. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 8. Risk Management**

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

**Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$541,501 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 10. Construction Commitment**

As of June 30, 2013, the District had entered into various contracts totaling \$7,990,500 for renovations at the Middle School. Costs of \$7,921,742 had been incurred by the District against these contracts. The remaining \$68,758 will be paid as work on the project progresses. The total cost of the improvements will be added to the District’s capital asset listing upon completion.

**Note 11. 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, 2013, expenditures in the support services functional area exceeded the amount budgeted.

**Note 12. Building Lease**

The District leases a building from The Car Guys, LLC, of Atlantic, Iowa for the District’s EOC facility on a monthly basis. Monthly lease payments are \$4,271.

**Note 13. Categorical Funding**

The District’s restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Home School Assistance Program	\$ 42,838
Four-year-old Preschool State Aid	184,555
Teacher Development Academies	3,333
Beginning Administrator Mentoring and Induction Program	1,500
Model Core Curriculum	59,123
Professional Development for Model Core Curriculum	6,569
Professional Development	78,103
Total	\$ 376,021



*Atlantic Community School District*

**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, 2013

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 9,417,950	384,296	9,802,246	9,462,280	9,462,280	339,966
Intermediate sources	-	-	-	100	100	(100)
State sources	8,219,651	7,058	8,226,709	8,314,761	8,314,761	(88,052)
Federal sources	667,549	491,214	1,158,763	1,670,000	1,670,000	(511,237)
Total revenues	18,305,150	882,568	19,187,718	19,447,141	19,447,141	(259,423)
Expenditures/Expenses:						
Instruction	12,144,982	-	12,144,982	15,134,562	15,134,562	2,989,580
Support services	5,240,873	6,366	5,247,239	4,999,317	4,999,317	(247,922)
Non-instructional programs	3,893	842,249	846,142	1,338,231	1,338,231	492,089
Other expenditures	4,299,723	-	4,299,723	9,475,489	9,475,489	5,175,766
Total expenditures/expenses	21,689,471	848,615	22,538,086	30,947,599	30,947,599	8,409,513
Excess(Deficiency) of revenues over(under) expenditures/expenses	(3,384,321)	33,953	(3,350,368)	(11,500,458)	(11,500,458)	8,150,090
Other financing sources, net	108,226	19,484	127,710	533,500	533,500	(405,790)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(3,276,095)	53,437	(3,222,658)	(10,966,958)	(10,966,958)	7,744,300
Balance beginning of year	5,839,793	492,352	6,332,145	10,966,958	10,966,958	(4,634,813)
Balance end of year	\$ 2,563,698	545,789	3,109,487	-	-	3,109,487

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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, 2013, expenditures in the support services functional area exceeded the amount 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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	-	\$ 795	795	0.0%	\$ 9,207	8.6%
2011	July 1, 2008	-	795	795	0.0%	7,362	10.8%
2012	July 1, 2011	-	703	703	0.0%	8,763	8.0%
2013	July 1, 2011	-	703	703	0.0%	8,324	8.4%

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

**SUPPLEMENTARY INFORMATION**

ATLANTIC COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total Special Revenue		
<b>ASSETS</b>					
Cash and pooled investments	\$ 105,552	189,229	294,781	1,054,991	1,349,772
Receivables:					
Property tax:					
Delinquent	2,313	-	2,313	3,601	5,914
Succeeding year	500,000	-	500,000	-	500,000
Accounts	-	5,196	5,196	-	5,196
<b>TOTAL ASSETS</b>	<b>\$ 607,865</b>	<b>194,425</b>	<b>802,290</b>	<b>1,058,592</b>	<b>1,860,882</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 161	14,409	14,570	410,903	425,473
Deferred revenue:					
Succeeding year property tax	500,000	-	500,000	-	500,000
Total liabilities	500,161	14,409	514,570	410,903	925,473
Fund balances:					
Restricted for:					
Management levy purposes	107,704	-	107,704	-	107,704
Student activities	-	180,016	180,016	-	180,016
Debt service	-	-	-	647,689	647,689
Total fund balances	107,704	180,016	287,720	647,689	935,409
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 607,865</b>	<b>194,425</b>	<b>802,290</b>	<b>1,058,592</b>	<b>1,860,882</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 2

ATLANTIC COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2013

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total Special Revenue		
REVENUES:					
Local sources:					
Local tax	\$ 216,989	-	216,989	340,640	557,629
Other	4,748	340,866	345,614	70	345,684
<b>TOTAL REVENUES</b>	<b>221,737</b>	<b>340,866</b>	<b>562,603</b>	<b>340,710</b>	<b>903,313</b>
EXPENDITURES:					
Current:					
Instruction:					
Regular	117,068	-	117,068	-	117,068
Other	-	307,696	307,696	-	307,696
Support services:					
Administration	27,912	-	27,912	-	27,912
Operation and maintenance of plant	45,740	-	45,740	-	45,740
Transportation	14,372	-	14,372	-	14,372
Non-instructional programs:					
Food service operations	3,893	-	3,893	-	3,893
Long-term debt:					
Principal	-	-	-	739,387	739,387
Interest and fiscal charges	-	-	-	239,586	239,586
<b>TOTAL EXPENDITURES</b>	<b>208,985</b>	<b>307,696</b>	<b>516,681</b>	<b>978,973</b>	<b>1,495,654</b>
Excess(Deficiency) of revenues over(under) expenditures	12,752	33,170	45,922	(638,263)	(592,341)
Other financing sources:					
Transfer in	-	-	-	626,342	626,342
Change in fund balances	12,752	33,170	45,922	(11,921)	34,001
Fund balances beginning of year	94,952	146,846	241,798	659,610	901,408
Fund balances end of year	\$ 107,704	180,016	287,720	647,689	935,409

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,171,404	152,612	1,324,016
Receivables:			
Property tax:			
Delinquent	-	2,382	2,382
Succeeding year	-	212,214	212,214
Income surtax	-	246,515	246,515
Accounts	-	46,208	46,208
Due from other governments	156,720	-	156,720
<b>TOTAL ASSETS</b>	<b>\$ 1,328,124</b>	<b>659,931</b>	<b>1,988,055</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 398,318	37,365	435,683
Deferred revenue:			
Succeeding year property tax	-	212,214	212,214
Income surtax	-	246,515	246,515
Total liabilities	398,318	496,094	894,412
Fund balances:			
Restricted for:			
School infrastructure	929,806	-	929,806
Physical plant and equipment	-	163,837	163,837
Total fund balances	929,806	163,837	1,093,643
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,328,124</b>	<b>659,931</b>	<b>1,988,055</b>

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, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Building Projects	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 1,230,808	-	502,318	1,733,126
Other	57	-	46,327	46,384
<b>TOTAL REVENUES</b>	<b>1,230,865</b>	<b>-</b>	<b>548,645</b>	<b>1,779,510</b>
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	-	2,058	2,058
Support services:				
Instructional staff	87,467	-	30,229	117,696
Administration	1,000	-	-	1,000
Operation and maintenance of plant	53,517	-	385,320	438,837
Transportation	-	-	105,362	105,362
Capital outlay	2,581,679	10,349	187,221	2,779,249
<b>TOTAL EXPENDITURES</b>	<b>2,723,663</b>	<b>10,349</b>	<b>710,190</b>	<b>3,444,202</b>
Deficiency of revenues under expenditures	(1,492,798)	(10,349)	(161,545)	(1,664,692)
Other financing sources(uses):				
Transfer out	(525,267)	-	(101,075)	(626,342)
Proceeds from bus lease	-	-	105,362	105,362
<b>Total other financing sources(uses)</b>	<b>(525,267)</b>	<b>-</b>	<b>4,287</b>	<b>(520,980)</b>
Change in fund balances	(2,018,065)	(10,349)	(157,258)	(2,185,672)
Fund balances beginning of year	2,947,871	10,349	321,095	3,279,315
Fund balances end of year	\$ 929,806	-	163,837	1,093,643

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COOMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ 1,060	3,738	3,972	1,148	1,974
Debate	2,438	-	-	(2,438)	-
Vocal Music	6,899	26,574	28,827	15,994	20,640
Middle School Vocal Music	600	-	-	(600)	-
Show Choir Costume	15,394	-	-	(15,394)	-
High School Band	(18,367)	29,698	9,985	2,937	4,283
High School Color Guard	1,753	-	-	(1,753)	-
Middle School Band	1,184	-	-	(1,184)	-
Musical	5,076	1,262	4,327	-	2,011
High School Cross Country	(3,112)	-	-	3,112	-
Middle School Cross Country	(246)	-	-	246	-
Boys Basketball	15,786	26,415	22,393	527	20,335
Middle School Boys Basketball	(1,368)	-	-	1,368	-
Football	46,768	27,945	34,497	(8,448)	31,768
Middle School Football	(2,448)	-	-	2,448	-
Soccer	(416)	-	-	416	-
Baseball	(12,857)	34,249	16,298	354	5,448
Boys Track	474	10,686	9,258	1,198	3,100
Middle School Boys Track	(1,515)	-	-	1,515	-
Boys Tennis	2,082	1,852	3,794	166	306
Boys Golf	(1,409)	3,825	1,888	1,990	2,518
Wrestling	645	7,490	7,571	1,957	2,521
Middle School Wrestling	1,957	-	-	(1,957)	-
High School Girls Basketball	8,360	-	-	(8,360)	-
Middle School Girls Basketball	(1,465)	-	-	1,465	-
High School Volleyball	3,070	14,050	12,055	-	5,065
High School Speech	(1,993)	-	-	1,993	-
Girls Soccer	418	-	-	(418)	-
Softball	(646)	-	-	646	-
High School Girls Track	6,262	-	-	(6,262)	-
Middle School Girls Track	(210)	-	-	210	-
Girls Tennis	166	-	-	(166)	-
Girls Golf	1,990	-	-	(1,990)	-
National Honor Society	2,768	214	170	-	2,812
Student Council	3,106	4,382	8,576	2,304	1,216
FFA	9,832	17,474	15,221	-	12,085
Middle School Student Council	(1,849)	-	-	1,849	-
Prime Time	3,494	-	-	(3,494)	-
MS Activities	431	28,237	18,029	191	10,830

SCHEDULE 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Yearbook	18,495	22,529	33,602	-	7,422
Spanish Club	-	6,749	-	-	6,749
Cheerleaders	4,212	6,965	364	-	10,813
Pride	1,516	-	-	(191)	1,325
Schuler Student Council	4,153	-	-	(4,153)	-
Jr Class Prom	9,132	4,700	8,983	-	4,849
Coke	2,794	-	-	(2,794)	-
General Activity	5,470	44,680	67,662	21,331	3,819
Student Connection	1,391	-	(1)	(1,392)	-
Operation Special Kids	3	-	-	(3)	-
Camp Courageous	1,272	2,500	225	-	3,547
Atlantic Athletic Foundation	-	14,580	-	-	14,580
Schuler Resource Activity	190	-	-	(190)	-
Insuff. Funds	3,414	-	-	(3,414)	-
Level II SPED	43	-	-	(43)	-
Interest	649	72	-	(721)	-
Total	\$ 146,846	340,866	307,696	-	180,016

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 TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 7,816,196	7,810,080	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	875,803	839,800	1,050,609	1,144,334	1,136,351	1,034,146	1,013,833	905,598	804,293	742,794
Other	725,951	813,068	854,453	654,946	617,852	914,129	644,158	858,431	499,693	457,789
Intermediate sources										7,121
State sources	8,219,651	8,231,553	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	667,549	585,572	983,670	1,539,835	743,984	441,246	403,571	438,369	516,049	378,137
Total	\$ 18,305,150	18,280,073	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	\$ 7,211,245	6,807,422	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	2,776,536	2,156,126	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	2,157,201	1,829,587	1,721,124	1,906,405	1,598,669	1,597,619	896,025	831,840	1,123,659	703,959
Support services:										
Student	505,204	348,426	417,724	458,038	426,546	380,348	375,303	387,154	306,622	340,420
Instructional staff	785,184	874,448	630,764	608,228	594,531	706,069	597,916	578,921	455,264	326,908
Administration	1,521,203	1,537,407	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	1,688,268	1,750,613	1,307,329	1,230,056	1,260,802	1,217,498	1,198,317	1,193,207	1,056,285	976,804
Transportation	741,014	543,840	598,783	579,645	712,917	531,663	521,875	512,138	431,331	361,088
Central support									4,745	2,663
Non-instructional programs	3,893	371	11,423	12,246	12,644	12,398	10,133	8,681	20,778	17,284
Capital outlay	2,779,249	4,881,579	2,116,793	2,464,044	2,095,735	108,805	379,086	612,430	194,372	133,377
Long-term debt:										
Principal	739,387	1,039,236	742,666	681,151	615,000	595,000	565,000	545,000	525,000	510,000
Interest and other charges	239,586	231,491	24,255	117,218	130,573	155,116	178,422	200,904	222,560	243,597
Other expenditures:										
AEA flow-through	541,501	525,725	581,707	569,666	518,992	476,641	456,669	410,189	406,718	415,603
Total	\$ 21,689,471	22,526,271	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, 2013

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 13	\$ 70,920
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	395,578 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 13	24,716
			<u>491,214</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 13	279,211
TITLE I SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 13	18,780
			<u>297,991</u>
RURAL EDUCATION	84.358	FY 13	28,543
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE II A)	84.367	FY 13	60,134
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 13	9,542
IOWA WESTERN COMMUNITY COLLEGE:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	12,706
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 13	78,106
ENGLISH LANGUAGE ACQUISITION GRANTS	84.365	FY 13	4,235
TOTAL			<u>\$ 982,471</u>

\* - Includes \$46,131 of non-cash awards.

**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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Atlantic Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 19, 2014.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control 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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 and II-B-13 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.

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However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part 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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### **Atlantic Community School District's Responses to Findings**

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

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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.

May 19, 2014  
Newton, Iowa

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**Independent Auditor's Report on Compliance  
for Each Major Federal Program, on Internal Control Over Compliance  
and on the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133**

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

**Report on Compliance for Each Major Federal Program**

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, 2013. Atlantic Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Atlantic Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Atlantic Community School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Atlantic Community School District complied, in all material respects, with the types of compliance 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, 2013.

## Report on Internal Control Over Compliance

The management of Atlantic Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Atlantic Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

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 that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be significant deficiency.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a significant deficiency.

Atlantic Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Atlantic Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

May 19, 2014  
Newton, Iowa

ATLANTIC COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies over internal control over financial reporting were noted.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major programs was noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed findings which are 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 qualified as a low-risk auditee.

ATLANTIC COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**II-A-13 Bank Reconciliations** - We noted during our audit that bank reconciliations for all funds were not completed or reconciled to the general ledger in a timely manner.

**Recommendation** - The District should reconcile bank statement balances to financial statement balances on a monthly basis. The bank reconciliation when performed timely, and reconciling items adjusted would provide support for the cash position. This would allow the user of the monthly financial statements a higher confidence in the amount of cash reflected on the balance sheet.

If the accounting staff is not comfortable using the accounting software to perform bank reconciliations, the District should consider sending their accounting staff to software training on bank reconciliations.

**Response** - The District is in the process of implementing procedures to assist with bank reconciliations and is also training staff on the proper way to perform bank reconciliations.

**Conclusion** - Response accepted.

**II-B-13 Non-certified Time Sheets** - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

**Recommendation** - In order to comply with the Department of Labor requirements on minimum wage and overtime, the District needs to keep track of the hours worked for non-certified staff coaches.

**Response** - The District will implement time sheet reporting for non-certified coaches.

**Conclusion** - Response accepted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
CFDA Number 10.559: Summer Food Service Program for Children  
Federal Award Year: 2013  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education**

**III-A-13 Free and Reduced Lunch Applications** - We noted during our audit that one of the free and reduced lunch applications in our testing was marked as free, but actually should have been marked as reduced.

**Recommendation** - The District should review the procedures in place for filing free and reduced lunch applications to ensure that the applications are filed correctly. The District should contact the Department of Education to correct the necessary reports.

**Response** - The District will receive training on processing free and reduced lunch applications properly.

**Conclusion** - Response accepted.

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

**IV-A-13 Certified Budget** - District disbursements for the year ended June 30, 2013 exceeded the amount budgeted in the support services 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-13 Questionable Disbursements** - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

**IV-C-13 Travel Expense** - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

**IV-D-13 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)	\$94,109
DeeAnn Schreiner, Food Service Director Spouse is manager for Reinhart Food Service	Food/Supplies	\$179,550
Cathy Knuth, Teacher Spouse is manager for Akin Building Center	Repair supplies	\$7,087

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

**IV-E-13 Bond Coverage** - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**IV-F-13 Board Minutes** - We noted no transactions requiring Board approval which have not been approved by the Board.

However, we noted when the Board of Directors went into closed sessions; references to the specific Code of Iowa exemptions allowed under Chapter 21.5 of the Code of Iowa were not noted in the District's board minutes.

Chapter 21.5(L)(2) states, "The vote of each member on the question of holding the closed session and the reason for holding the closed session by reference to a specific exemption under this section shall be announced publicly at the open session and entered in the minutes".

**Recommendation** - The District's board minutes should reference the specific Code of Iowa exemption allowed by Chapter 21.5 of the Code of Iowa when the Board of Directors goes into closed sessions.

**Response** - When the Board goes into closed sessions, references to the specific Code of Iowa exemptions allowed under Chapter 21.5 of the Code of Iowa will be noted in the minutes.

**Conclusion** - Response accepted.

**IV-G-13 Certified Enrollment** - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by three students.

**Recommendation** - The District should contact the Iowa Department of Education and the Department of Management 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-13 Supplementary Weighting** - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

**IV-I-13 Deposits and Investments** - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

**IV-J-13 Certified Annual Report** - The Certified Annual Report was filed with the Department of Education timely; however we noted the proper amounts to be accrued for receivables were not done accurately and bank reconciliations and correcting adjustments were not being completed timely causing material deficiencies in the amounts reported.

**Recommendation** - The District should review procedures in place when completing year-end adjustments for the CAR. Members of the accounting staff should review each other's work and compare to the computer system generated financial statements before uploading the District's CAR to ensure all year-end adjustments have been completed accurately.

**Response** - Subsequent corrections were made to the District's general ledger. Additional procedures have been implemented to ensure proper end of year adjustments will be made so the District's CAR will be filed timely.

**Conclusion** - Response accepted.

**IV-K-13 Categorical Funding** - No instances were noted of categorical funding used to supplant rather than supplement other funds.

**IV-L-13 Statewide Sales, Services and Use Tax** - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$ 2,947,871
Revenues:		
Statewide sales, services and use tax	\$ 1,230,808	
Other local revenues	57	1,230,865
	<u>                    </u>	<u>4,178,736</u>
Expenditures/transfer out:		
School infrastructure construction	\$ 2,622,804	
Equipment	99,859	
Other	1,000	
Transfer to another fund:		
Debt service	525,267	3,248,930
	<u>                    </u>	<u>                    </u>
Ending Balance		<u>\$ 929,806</u>

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

**IV-M-13 Electronic Check Retention** - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check from Rolling Hills Bank as required.

**Recommendation** - The District should contact Rolling Hills Bank and request that the images of the backs of each check are on the bank statements the District receives each month.

**Response** - Rolling Hills Bank will be contacted and the monthly bank statements will include an image of both the front and back of each cancelled check.

**Conclusion** - Response accepted.