

ATLANTIC COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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ATLANTIC COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Kristy Pellett	Board President	2017
Phil Hascall	Vice President	2015
Dennis Davis	Board Member	2015
Rodney Hartwig	Board Member	2015
Josh McLaren	Board Member	2017
School Officials		
Dr. Michael Amstein	Superintendent	2015
Mary Beth Fast	Business Manager/Board Secretary	2015
Olivia Newberg	Board Treasurer	2015
Lynch Dallas, P.C.	Attorney	2015

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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
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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the propose 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Atlantic Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedule of Funding Progress for the Retiree Health Plan and the combining statements for the discretely presented component unit on pages 7 through 17 and 48 through 55 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, 2014 (which are not presented herein) and expressed unmodified 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 January 6, 2016, 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.

January 6, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased to \$16,825,055 in fiscal year 2015 from \$16,291,446 in fiscal year 2014, while General Fund expenditures decreased from \$17,015,335 in fiscal 2014 to \$16,917,587 in fiscal year 2015. Expenditures exceeded revenues causing a decrease in the District's General Fund balance from a deficit \$189,243 at June 30, 2014 to a deficit \$281,775 at June 30, 2015, a 48.90% decrease from the prior year.
- The increase in General fund revenues was attributed to the increase in local tax received during fiscal year 2015 while the decrease in expenditures can be attributed to a decrease in expenditures in the support services functional area.

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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan and financial statements for the discretely presented component unit.

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

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

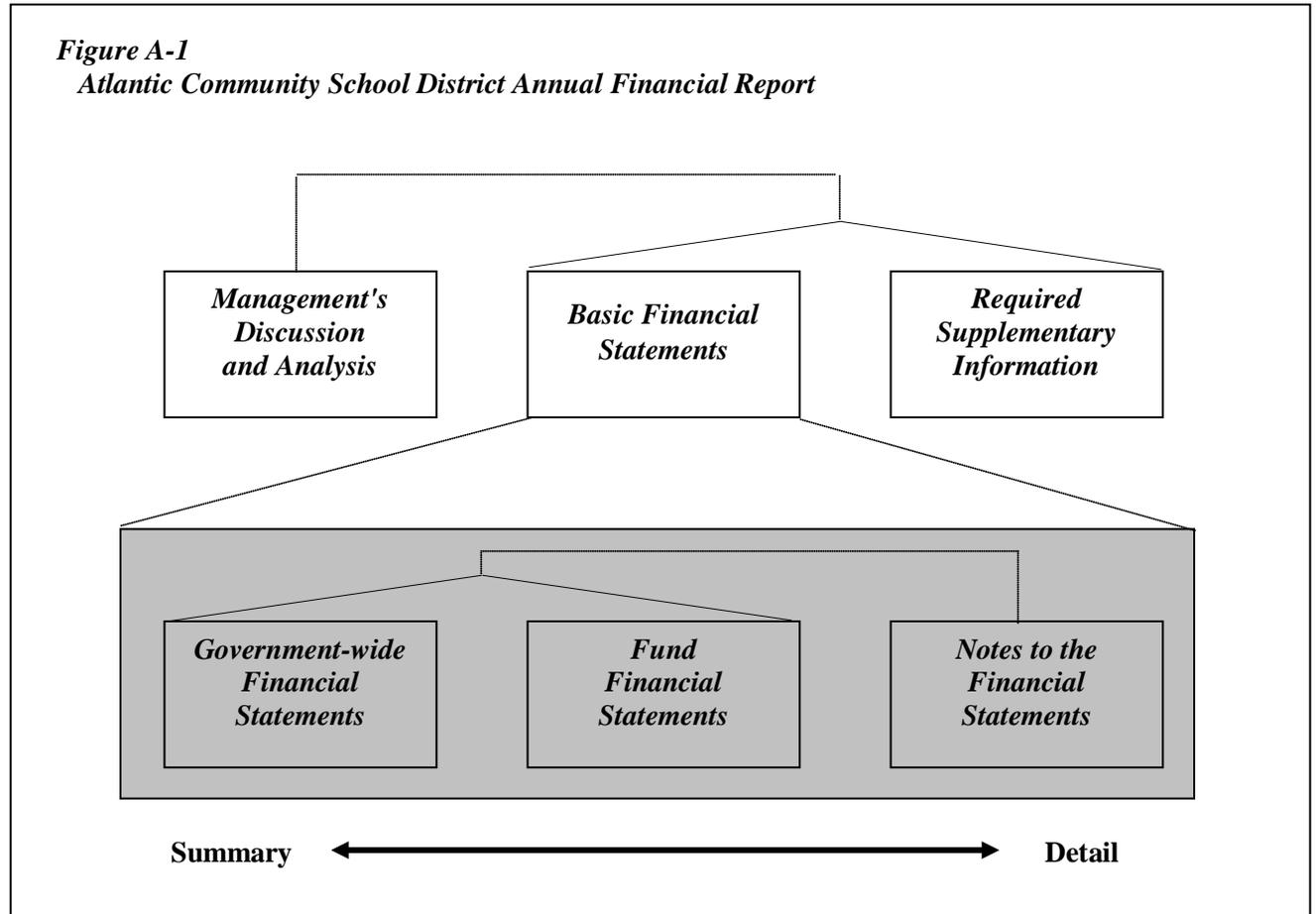


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

In the government-wide financial statements, the District's activities are divided into three 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.
- *Component Unit*: This includes the activities of the Atlantic Community School Foundation. The District receives significant financial benefits from the Foundation although they are legally separate entities.

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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position for the year ended June 30, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30, 2014 (Not restated)		June 30, 2014 (Not restated)		June 30, 2014 (Not restated)	June 30, 2014-15	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	\$ 12,181,766	11,108,651	554,674	462,023	12,736,440	11,570,674	10.08%
Capital assets	21,394,443	22,240,457	95,448	108,252	21,489,891	22,348,709	-3.84%
Total assets	33,576,209	33,349,108	650,122	570,275	34,226,331	33,919,383	0.90%
Deferred outflows of resources	1,597,865	-	49,866	-	1,647,731	-	100.00%
Long-term liabilities	13,791,882	7,919,011	208,618	3,324	14,000,500	7,922,335	76.72%
Other liabilities	2,400,223	2,180,242	19,054	17,406	2,419,277	2,197,648	10.08%
Total liabilities	16,192,105	10,099,253	227,672	20,730	16,419,777	10,119,983	62.25%
Deferred inflows of resources	8,921,198	6,271,327	78,094	-	8,999,292	6,271,327	43.50%
Net position:							
Net investment in capital assets	15,024,443	15,515,457	95,448	108,252	15,119,891	15,623,709	-3.22%
Restricted	2,397,597	1,677,834	-	-	2,397,597	1,677,834	42.90%
Unrestricted	(7,361,269)	(214,763)	298,774	441,293	(7,062,495)	226,530	-3217.69%
Total net position	\$ 10,060,771	16,978,528	394,222	549,545	10,454,993	17,528,073	-40.35%

The District's combined net position decreased by 40.35%, or \$7,073,080, from 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 \$719,763, or 42.90% from the prior year. The increase in restricted net position can be attributed to the increase in ending fund balance of the Capital Projects: Statewide Sales, Services and Use Tax 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 \$7,289,025, or 3217.69%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$7,526,367 and \$243,187, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4							
Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues							
Program revenues:							
Charges for service	\$ 1,098,317	1,205,522	386,163	375,329	1,484,480	1,580,851	-6.10%
Operating grants, contributions and restricted interest	1,729,217	1,679,231	517,211	558,758	2,246,428	2,237,989	0.38%
Capital grants, contributions and restricted interest	-	49,796	-	-	-	49,796	-100.00%
General revenues:							
Property tax	6,339,872	5,849,501	-	-	6,339,872	5,849,501	8.38%
Income surtax	943,427	1,132,939	-	-	943,427	1,132,939	-16.73%
Statewide sales, services and use tax	1,362,939	1,241,804	-	-	1,362,939	1,241,804	9.75%
Unrestricted state grants	7,790,576	7,701,818	-	-	7,790,576	7,701,818	1.15%
Unrestricted investment earnings	572	408	98	107	670	515	30.10%
Other	45,018	134,166	3,810	3,492	48,828	137,658	-64.53%
Total revenues	19,309,938	18,995,185	907,282	937,686	20,217,220	19,932,871	1.43%
Program expenses:							
Instruction	12,190,220	12,594,181	-	-	12,190,220	12,594,181	-3.21%
Support services	4,827,590	5,964,889	4,328	17,954	4,831,918	5,982,843	-19.24%
Non-instructional programs	-	3,817	815,090	915,976	815,090	919,793	-11.38%
Other expenditures	1,683,518	1,653,755	-	-	1,683,518	1,653,755	1.80%
Total expenses	18,701,328	20,216,642	819,418	933,930	19,520,746	21,150,572	-7.71%
Change in net position	608,610	(1,221,457)	87,864	3,756	696,474	(1,217,701)	-157.20%
Net position beginning of year, as restated	9,452,161	18,199,985	306,358	545,789	9,758,519	18,745,774	-47.94%
Net position end of year	\$ 10,060,771	16,978,528	394,222	549,545	10,454,993	17,528,073	-40.35%

In fiscal year 2015, local tax (property tax and income surtax) statewide sales, services and use tax and unrestricted state grants accounted for 85.12% of the revenue from governmental activities while charges for services and operating grants and contributions account for approximately 99.57% of the revenue from business type activities.

The District's total revenues were approximately \$20.22 million of which approximately \$19.31 million was for governmental activities and approximately \$0.91 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 1.43% in revenues and a 7.71% decrease in expenses. The increase in revenues is attributable to the increase in property tax revenue received while the decrease in expenses was largely attributable to a decrease in expenditures for support services during the year.

Governmental Activities

Revenues for governmental activities were \$19,309,938 and expenses were \$18,701,328 for the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014-15	2015	2014	Change 2014-15
Instruction	\$ 12,190,220	12,594,181	-3.21%	9,974,553	10,253,459	-2.72%
Support services	4,827,590	5,964,889	-19.07%	4,810,878	5,939,273	-19.00%
Non-instructional programs	-	3,817	-100.00%	-	3,817	-100.00%
Other expenses	1,683,518	1,653,755	1.80%	1,088,363	1,085,544	0.26%
Totals	<u>\$ 18,701,328</u>	<u>20,216,642</u>	<u>-7.50%</u>	<u>15,873,794</u>	<u>17,282,093</u>	<u>-8.15%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,098,317.
- Federal and state governments subsidized certain programs with grants and contributions from outside organizations totaled \$1,729,217.
- The net cost of governmental activities was financed with \$6,339,872 in property tax, \$943,427 in income surtax, \$1,362,939 in statewide sales, services and use tax, \$7,790,576 in unrestricted state grants, \$572 in interest income and \$45,018 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$907,282 and expenses were \$819,418 for the year ended June 30, 2015. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and other general revenues.

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 \$1,998,722, above last year's ending fund balances of \$1,400,101. The primary reason for the increase in combined fund balance is the increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Governmental Fund Highlights

- The District's decrease in General Fund financial position from a deficit \$189,243 at June 30, 2014 to a deficit \$281,775 at June 30, 2015 is a product of many factors. Revenues increased due to the increase in the amount of property tax revenue collected during the year while expenditures decreased due to a decrease in support services expenditures during the year. Revenues did not exceed expenditures, resulting in a decrease in fund balance.

- The Capital Projects Funds (Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund) combined balance increased from \$376,319 at June 30, 2014 to \$1,005,203 at June 30, 2015. The Statewide Sales, Services and Use Tax Fund increased to an ending fund balance of \$741,050 at June 30, 2015 compared to \$331,458 at June 30, 2014. The Physical Plant and Equipment Levy Fund increased from a fund balance of \$44,861 at June 30, 2014 to \$264,153 at June 30, 2015.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a restated net position of \$306,358 at July 1, 2014 to \$394,222 at June 30, 2015, representing an increase of 28.68%. The primary reason for the increase in net position is due to a decrease in salaries and supply expenditures during the year compared to the previous year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Atlantic Community School District amended its budget one time to reflect additional expenditures associated with early retirement, special education and open enrollment.

The District's revenues were \$111,249 less than budgeted revenues, a variance of less than one percent. The variance resulted from the District receiving less in local and intermediate source revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$21.49 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 decrease of 3.84% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,008,713.

The original cost of the District's capital assets was approximately \$35.04 million. Governmental funds account for approximately \$34.72 million with the remainder of approximately \$0.32 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$540,284 at June 30, 2014 as compared to \$446,332 at June 30, 2015. The decrease in machinery and equipment was the result of depreciation expense recorded during the year.

	Governmental Activities		Business Type Activities		Total District		Total
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 928,419	928,419	-	-	928,419	928,419	0.00%
Buildings	19,654,298	20,333,907	-	-	19,654,298	20,333,907	-3.34%
Land improvements	460,842	546,099	-	-	460,842	546,099	-15.61%
Machinery and equipment	350,884	432,032	95,448	108,252	446,332	540,284	-17.39%
Total	\$ 21,394,443	22,240,457	95,448	108,252	21,489,891	22,348,709	-3.84%

Long-Term Debt

At June 30, 2015, the District had \$14,000,500 in revenue bonds payable, computer lease payable and other long-term debt outstanding. This represents an increase of 76.72% 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, 2015, the District had \$6,370,000 of revenue bonds outstanding payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding computer lease payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$242,839 at June 30, 2015.

The District had outstanding termination benefits payable of \$225,000 at June 30, 2015 payable from the Management Levy Fund.

The District had a net pension liability of \$6,542,209 at June 30, 2015. Governmental activities accounted for \$6,337,438 of this total and business type activities accounted for \$204,771.

The District also had a net OPEB liability of \$620,452 at June 30, 2015. Governmental activities accounted for \$616,605 of this total and business type activities accounted for the remaining \$3,847.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Revenue bonds	\$ 6,370,000	6,725,000	-	-	6,370,000	6,725,000	-5.28%
Computer lease	242,839	361,223	-	-	242,839	361,223	-32.77%
Termination benefits	225,000	300,000	-	-	225,000	300,000	-25.00%
Net pension liability	6,337,438	-	204,771	-	6,542,209	-	100.00%
Net OPEB liability	616,605	532,788	3,847	3,324	620,452	536,112	15.73%
Total	\$ 13,791,882	7,919,011	208,618	3,324	14,000,500	7,922,335	76.72%

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:

- Because the district is in a rural area, the agricultural economy impacts the school's revenues. The overall robust economy has led to increased spending statewide as reflected in the sales tax revenue.
- Due to the downturn in agricultural commodities and decline in land values, the district is mindful of the possible impact of these factors on district funding and support of district programs going forward.

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, 2015

	Primary Government			Component Unit *
	Governmental Activities	Business Type Activities	Total	Atlantic Community School Foundation
ASSETS				
Cash and pooled investments	\$ 4,101,209	526,348	4,627,557	3,229,906
Receivables:				
Property tax:				
Delinquent	77,272	-	77,272	-
Succeeding year	6,504,282	-	6,504,282	-
Income surtax	936,632	-	936,632	-
Accounts	10,534	2,217	12,751	-
Due from other governments	551,837	13,846	565,683	-
Inventories	-	12,263	12,263	-
Capital assets, net of accumulated depreciation	21,394,443	95,448	21,489,891	31,950
TOTAL ASSETS	33,576,209	650,122	34,226,331	3,261,856
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	1,597,865	49,866	1,647,731	-
LIABILITIES				
Accounts payable	812,229	5,457	817,686	-
Salaries and benefits payable	1,587,478	-	1,587,478	-
Accrued interest payable	516	-	516	-
Unearned revenue	-	13,597	13,597	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	360,000	-	360,000	-
Computer lease payable	120,396	-	120,396	-
Termination benefits payable	108,333	-	108,333	-
Portion due after one year:				
Revenue bonds payable	6,010,000	-	6,010,000	-
Computer lease payable	122,443	-	122,443	-
Termination benefits payable	116,667	-	116,667	-
Net pension liability	6,337,438	204,771	6,542,209	-
Net OPEB liability	616,605	3,847	620,452	-
TOTAL LIABILITIES	16,192,105	227,672	16,419,777	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable property tax revenue	6,504,282	-	6,504,282	-
Pension related deferred inflows	2,416,916	78,094	2,495,010	-
TOTAL DEFERRED INFLOWS OF RESOURCES	8,921,198	78,094	8,999,292	-
NET POSITION				
Net investment in capital assets	15,024,443	95,448	15,119,891	31,950
Restricted for:				
Support of instructional programs	-	-	-	3,229,906
Categorical funding	342,616	-	342,616	-
Management levy purposes	229,100	-	229,100	-
Student activities	176,495	-	176,495	-
Debt service	644,183	-	644,183	-
School infrastructure	741,050	-	741,050	-
Physical plant and equipment	264,153	-	264,153	-
Unrestricted	(7,361,269)	298,774	(7,062,495)	-
TOTAL NET POSITION	\$ 10,060,771	394,222	10,454,993	3,261,856

* Component unit information is on a cash basis as of December 31, 2014

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT B

**ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit ** Atlantic Community School Foundation
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Primary Government			
				Governmental Activities	Business Type Activities	Total	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 7,309,028	625,986	192,643	(6,490,399)	-	(6,490,399)	-
Special	2,698,289	195,894	275,128	(2,227,267)	-	(2,227,267)	-
Other	2,182,903	259,725	666,291	(1,256,887)	-	(1,256,887)	-
	<u>12,190,220</u>	<u>1,081,605</u>	<u>1,134,062</u>	<u>(9,974,553)</u>	<u>-</u>	<u>(9,974,553)</u>	<u>-</u>
Support services:							
Student	442,656	-	-	(442,656)	-	(442,656)	-
Instructional staff	621,848	-	-	(621,848)	-	(621,848)	-
Administration	1,561,962	-	-	(1,561,962)	-	(1,561,962)	-
Operation and maintenance of plant	1,539,373	-	-	(1,539,373)	-	(1,539,373)	-
Transportation	661,751	16,712	-	(645,039)	-	(645,039)	-
	<u>4,827,590</u>	<u>16,712</u>	<u>-</u>	<u>(4,810,878)</u>	<u>-</u>	<u>(4,810,878)</u>	<u>-</u>
Long-term debt interest	229,244	-	-	(229,244)	-	(229,244)	-
Other expenditures:							
AEA flowthrough	595,155	-	595,155	-	-	-	-
Depreciation(unallocated)*	859,119	-	-	(859,119)	-	(859,119)	-
	<u>1,454,274</u>	<u>-</u>	<u>595,155</u>	<u>(859,119)</u>	<u>-</u>	<u>(859,119)</u>	<u>-</u>
Total governmental activities	<u>18,701,328</u>	<u>1,098,317</u>	<u>1,729,217</u>	<u>(15,873,794)</u>	<u>-</u>	<u>(15,873,794)</u>	<u>-</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	4,328	-	-	-	(4,328)	(4,328)	-
Non-instructional programs:							
Food service operations	815,090	386,163	517,211	-	88,284	88,284	-
Total business type activities	<u>819,418</u>	<u>386,163</u>	<u>517,211</u>	<u>-</u>	<u>83,956</u>	<u>83,956</u>	<u>-</u>
Total primary government	<u>\$ 19,520,746</u>	<u>1,484,480</u>	<u>2,246,428</u>	<u>(15,873,794)</u>	<u>83,956</u>	<u>(15,789,838)</u>	<u>-</u>
Total component unit	<u>\$ 132,934</u>	<u>-</u>	<u>13,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,123</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 6,146,272	-	6,146,272	-
Capital outlay				193,600	-	193,600	-
Income surtax				943,427	-	943,427	-
Statewide sales, services and use tax				1,362,939	-	1,362,939	-
Unrestricted state grants				7,790,576	-	7,790,576	-
Unrestricted investment earnings				572	98	670	47,152
Other general revenues				45,018	3,810	48,828	3,113
Total general revenues				<u>16,482,404</u>	<u>3,908</u>	<u>16,486,312</u>	<u>50,265</u>
Change in net position				608,610	87,864	696,474	(68,858)
Net position beginning of year, as restated				9,452,161	306,358	9,758,519	3,330,714
Net position end of year				<u>\$ 10,060,771</u>	<u>394,222</u>	<u>10,454,993</u>	<u>3,261,856</u>

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

** Component unit information is on a cash basis as of December 31, 2014

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,177,922	832,212	1,748,652	3,758,786
Receivables:				
Property tax:				
Delinquent	70,623	2,335	4,314	77,272
Succeeding year	5,743,211	511,069	250,002	6,504,282
Income surtax	624,421	312,211	-	936,632
Accounts	5,179	-	5,355	10,534
Due from other governments	340,486	210,959	392	551,837
TOTAL ASSETS	\$ 7,961,842	1,868,786	2,008,715	11,839,343
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 288,507	40,303	483,419	812,229
Salaries and benefits payable	1,587,478	-	-	1,587,478
Total liabilities	1,875,985	40,303	483,419	2,399,707
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	5,743,211	511,069	250,002	6,504,282
Income surtax	624,421	312,211	-	936,632
Total deferred inflows of resources	6,367,632	823,280	250,002	7,440,914
Fund balances:				
Restricted for:				
Categorical funding	342,616	-	-	342,616
Management levy purposes	-	-	454,100	454,100
Student activities	-	-	176,495	176,495
Debt service	-	-	644,699	644,699
School infrastructure	-	741,050	-	741,050
Physical plant and equipment	-	264,153	-	264,153
Unassigned	(624,391)	-	-	(624,391)
Total fund balances	(281,775)	1,005,203	1,275,294	1,998,722
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,961,842	1,868,786	2,008,715	11,839,343

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 22)		\$	1,998,722
 <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.			21,394,443
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.			(516)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.			342,423
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period and, therefore, is recognized as deferred inflows of resources in the governmental funds.			936,632
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:			
Deferred outflows of resources	\$	1,597,865	
Deferred inflows of resources		<u>(2,416,916)</u>	(819,051)
Long-term liabilities, including revenue bonds payable, leases payable, termination benefits payable, other postemployment benefits payable and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			<u>(13,791,882)</u>
Net position of governmental activities(page 20)		\$	<u>10,060,771</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, 2015

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 6,422,527	473,638	353,830	7,249,995
Tuition	762,645	-	-	762,645
Other	224,766	201	260,727	485,694
State sources	8,809,345	1,363,025	158	10,172,528
Federal sources	605,772	-	-	605,772
Total revenues	<u>16,825,055</u>	<u>1,836,864</u>	<u>614,715</u>	<u>19,276,634</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	7,290,899	-	196,971	7,487,870
Special	2,727,117	-	-	2,727,117
Other	1,971,364	-	243,671	2,215,035
	<u>11,989,380</u>	<u>-</u>	<u>440,642</u>	<u>12,430,022</u>
Support services:				
Student	472,033	-	-	472,033
Instructional staff	557,801	92,846	-	650,647
Administration	1,546,965	3,750	32,266	1,582,981
Operation and maintenance of plant	1,217,657	263,911	60,241	1,541,809
Transportation	538,596	32,830	19,255	590,681
	<u>4,333,052</u>	<u>393,337</u>	<u>111,762</u>	<u>4,838,151</u>
Capital outlay	-	111,805	-	111,805
Long-term debt:				
Principal	-	-	473,384	473,384
Interest and fiscal charges	-	-	229,496	229,496
	<u>-</u>	<u>-</u>	<u>702,880</u>	<u>702,880</u>
Other expenditures:				
AEA flowthrough	595,155	-	-	595,155
Total expenditures	<u>16,917,587</u>	<u>505,142</u>	<u>1,255,284</u>	<u>18,678,013</u>
Excess(Deficiency) of revenues over(under) expenditures	(92,532)	1,331,722	(640,569)	598,621
Other financing sources(uses):				
Transfer in	-	-	702,838	702,838
Transfer out	-	(702,838)	-	(702,838)
Total other financing sources(uses)	<u>-</u>	<u>(702,838)</u>	<u>702,838</u>	<u>-</u>
Change in fund balances	(92,532)	628,884	62,269	598,621
Fund balances beginning of year	<u>(189,243)</u>	<u>376,319</u>	<u>1,213,025</u>	<u>1,400,101</u>
Fund balances end of year	<u>\$ (281,775)</u>	<u>1,005,203</u>	<u>1,275,294</u>	<u>1,998,722</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, 2015

Change in fund balances - total governmental funds(page 24)	\$	598,621
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>Capital outlays 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. The amounts of capital outlay and depreciation expense for the year are as follows:</p>		
Capital outlay	\$ 146,155	
Depreciation expense	<u>(992,169)</u>	(846,014)
<p>Repayments of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
		473,384
<p>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.</p>		
		252
<p>The change in the Internal Service Fund is charged back against expenditures made for self-funded insurance at an entity-wide basis.</p>		
		(11,998)
<p>Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds, and is recognized as deferred inflows of resource in the governmental funds.</p>		
		33,304
<p>The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.</p>		
		920,940
<p>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.</p>		
Termination benefits	75,000	
Pension expense	(551,062)	
Other postemployment benefits	<u>(83,817)</u>	<u>(559,879)</u>
Change in net position of governmental activities(page 21)	\$	<u><u>608,610</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 526,348	342,423
Accounts receivable	2,217	-
Due from other governments	13,846	-
Inventories	12,263	-
Total current assets	<u>554,674</u>	<u>342,423</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	95,448	-
TOTAL ASSETS	<u>650,122</u>	<u>342,423</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	49,866	-
LIABILITIES		
Current liabilities:		
Accounts payable	5,457	-
Unearned revenue	13,597	-
Total current liabilities	<u>19,054</u>	<u>-</u>
Noncurrent liabilities:		
Net pension liability	204,771	-
Net OPEB liability	3,847	-
Total noncurrent liabilities	<u>208,618</u>	<u>-</u>
TOTAL LIABILITIES	<u>227,672</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	78,094	-
NET POSITION		
Net investment in capital assets	95,448	-
Unrestricted	298,774	342,423
TOTAL NET POSITION	<u>\$ 394,222</u>	<u>342,423</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 386,163	-
Miscellaneous	3,810	1,653,956
TOTAL OPERATING REVENUES	389,973	1,653,956
OPERATING EXPENSES:		
Instruction:		
Regular:		
Benefits	-	65,372
Support services:		
Administration:		
Services	-	1,600,333
Other	-	310
	-	1,600,643
Operation and maintenance of plant:		
Services	4,328	-
Total support services	4,328	1,600,643
Non-instructional programs:		
Food service operations:		
Salaries	318,704	-
Benefits	60,986	-
Services	3,614	-
Supplies	410,474	-
Depreciation	16,544	-
Other	4,768	-
Total non-instructional programs	815,090	-
TOTAL OPERATING EXPENSES	819,418	1,666,015
OPERATING LOSS	(429,445)	(12,059)
NON-OPERATING REVENUES:		
State sources	7,296	-
Federal sources	509,915	-
Interest on investments	98	61
TOTAL NON-OPERATING REVENUES	517,309	61
Change in net position	87,864	(11,998)
Net position beginning of year, as restated	306,358	354,421
Net position end of year	\$ 394,222	342,423

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 390,118	-
Cash received from miscellaneous sources	3,810	1,653,956
Cash payments to employees for services	(389,355)	(1,666,015)
Cash payments to suppliers for goods or services	(369,753)	-
Net cash used in operating activities	<u>(365,180)</u>	<u>(12,059)</u>
Cash flows from non-capital financing activities:		
State grants received	7,296	-
Federal grants received	459,447	-
Net cash provided by non-capital financing activities	<u>466,743</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(3,740)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>98</u>	<u>61</u>
Net increase(decrease) in cash and pooled investments	97,921	(11,998)
Cash and pooled investments beginning of year	<u>428,427</u>	<u>354,421</u>
Cash and pooled investments end of year	<u>\$ 526,348</u>	<u>342,423</u>
Reconciliation of operating loss to net cash (used in operating activities):		
Operating loss	\$ (429,445)	(12,059)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities used	51,594	-
Depreciation	16,544	-
Decrease in inventories	3,781	-
Decrease in accounts receivable	363	-
Decrease in accounts payable	(1,944)	-
Increase in other postemployment benefits	523	-
Decrease in net pension liability	(68,587)	-
Increase in deferred outflows of resources	(19,695)	-
Increase in deferred inflows of resources	78,094	-
Increase in unearned revenue	3,592	-
Net cash used in operating activities	<u>\$ (365,180)</u>	<u>(12,059)</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$51,594.

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 152,227
LIABILITIES	
Accounts payable	-
NET POSITION	
Held in trust for scholarships	\$ 152,227

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Contributions	\$ 2,500
Interest	91
Total additions	<u>2,591</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>3,000</u>
Change in net position	(409)
Net position beginning of year	<u>152,636</u>
Net position end of year	<u>\$ 152,227</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

These financial statements present the Atlantic Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discrete Component Unit - The Atlantic Community School Foundation was established for the purpose of providing financial assistance to the students of the Atlantic Community School District who will attend post-secondary education and to give financial assistance to the Atlantic Community School District. The Atlantic Community School Foundation is a legally separate entity with its own board of trustees and accounting records.

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, Audubon and Pottawattamie 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 service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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 major proprietary fund:

The Enterprise, 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, Deferred Outflows of Resources, Liabilities Deferred Inflows of Resources and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment 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	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	5-10 years
Machinery and equipment	5-12 years

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

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

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.

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2015, the District had no investments.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 702,838

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, as well as the District's computer lease indebtedness.

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 318,065	3,740	1,551	320,254
Less accumulated depreciation	209,813	16,544	1,551	224,806
Business type activities capital assets, net	\$ 108,252	(12,804)	-	95,448

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 928,419	-	-	928,419
Total capital assets not being depreciated	928,419	-	-	928,419
Capital assets being depreciated:				
Buildings	29,244,499	94,253	-	29,338,752
Land improvements	1,768,733	-	-	1,768,733
Machinery and equipment	2,636,839	51,902	-	2,688,741
Total capital assets being depreciated	33,650,071	146,155	-	33,796,226
Less accumulated depreciation for:				
Buildings	8,910,592	773,862	-	9,684,454
Land improvements	1,222,634	85,257	-	1,307,891
Machinery and equipment	2,204,807	133,050	-	2,337,857
Total accumulated depreciation	12,338,033	992,169	-	13,330,202
Total capital assets being depreciated, net	21,312,038	(846,014)	-	20,466,024
Governmental activities capital assets, net	\$ 22,240,457	(846,014)	-	21,394,443

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 8,974
Other	3,401
Support services:	
Administration	1,976
Operation and maintenance of plant	2,662
Transportation	116,037
	133,050
Unallocated depreciation	859,119
Total governmental activities depreciation expense	\$ 992,169
Business type activities:	
Food service operations	\$ 16,544

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 6,725,000	-	355,000	6,370,000	360,000
Computer Lease	361,223	-	118,384	242,839	120,396
Termination Benefits	300,000	25,000	100,000	225,000	108,333
Net Pension Liability	8,460,132	-	2,122,694	6,337,438	-
Net OPEB Liability	532,788	83,817	-	616,605	-
Total	\$ 16,379,143	108,817	2,696,078	13,791,882	588,729
<u>Business type activities:</u>					
Net Pension Liability	\$ 273,358	-	68,587	204,771	-
Net OPEB Liability	3,324	523	-	3,847	-
Total	\$ 276,682	523	68,587	208,618	-

Revenue Bonds Payable

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2011			
	Interest Rates	Principal	Interest	Total
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	2.70	380,000	195,550	575,550
2020	3.00	390,000	185,290	575,290
2021-2025	3.20-3.85	2,150,000	728,700	2,878,700
2026-2030	4.00-4.25	2,355,000	278,310	2,633,310
Total		\$ 6,370,000	2,022,040	8,392,040

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 42% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$8,392,040. For the current year, \$355,000 of principal and \$223,355 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$1,362,939.

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. The reserve account is recorded as part of the Debt Service Fund.
- 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.

Computer Lease Payable

Details of the District’s June 30, 2015 computer lease indebtedness, which is paid from the Capital Projects: Statewide Sales Services and Use Tax Fund are as follows:

Year Ending June 30,	Computer Lease May 15, 2014				
	Interest Rates	Principal	Interest	Total	
2016	1.70	% \$ 120,396	4,129	124,525	
2017	1.70	122,443	2,082	124,525	
Total		<u>\$ 242,839</u>	<u>6,211</u>	<u>249,050</u>	

Termination Benefits Payable

The District offered a one-time 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 15th of the year in which they wish to retire and had completed at least fifteen years of full-time contracted service. Employees completed an application which was required to be approved by the Board of Education.

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

At June 30, 2015, the District has obligations to thirteen participants with a total liability of \$225,000. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$100,000.

Note 6. Pension Plan

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$948,934.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$6,542,209 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.161652 percent, which was an increase of 0.007405 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$568,868. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 71,101	\$ -
Changes of assumptions	288,722	-
Net difference between projected and actual earnings on pension plan investments	-	2,495,010
Changes in proportion and differences between District contributions and proportionate share of contributions	338,974	-
District contributions subsequent to the measurement date	948,934	-
Total	\$ 1,647,731	\$ 2,495,010

\$948,934 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (460,482)
2017	(460,482)
2018	(460,482)
2019	(460,482)
2020	45,715
	<u>\$ (1,796,213)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 12,361,320	\$ 6,542,209	\$ 1,630,276

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$104,666 for legally required employer contributions and \$69,738 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 140 active and 10 retired members in the plan. Retired participants 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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 139,338
Interest on net OPEB obligation	13,403
Adjustment to annual required contribution	(41,876)
Annual OPEB cost	<u>110,865</u>
Contributions made	(26,525)
Increase in net OPEB obligation	<u>84,340</u>
Net OPEB obligation - beginning of year	<u>536,112</u>
Net OPEB obligation - end of year	<u><u>\$ 620,452</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, 2015.

For the year ended June 30, 2015, the District contributed \$26,525 to the medical plan.

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 85,490	7.79%	\$ 449,476
2014	90,094	3.84%	536,112
2015	110,865	23.93%	620,452

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$0.920 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$0.920 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9.775 million, and the ratio of the UAAL to the covered payroll was 9.4%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of 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 for the Retiree Health Plan, 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, 2014 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.

Projected claim costs of the medical plan are \$782 per month for retirees less than age 65. 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 \$595,155 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Deficit Fund Balance/Net Position

At June 30, 2015, the District had a deficit unassigned fund balance of \$624,391 in the General Fund, and a total deficit General Fund balance of \$281,775. The District also had deficit unrestricted net position of \$7,361,269 in the Governmental Activities.

Note 11 Building Leases

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.

The District leases two portable buildings from Rob Prullhiere, one for \$10,500 a year, and the second for \$30,500 a year.

Note 12. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Beginning Teacher Mentoring and Induction	\$ 1,568
Gifted and Talented Programs	64,463
Beginning Administrator Mentoring and Induction Program	1,500
Four-year-old Preschool State Aid	120,461
Professional Development for Model Core Curriculum	61,503
Professional Development	89,723
Teacher Leadership Grant	3,398
Total	<u>\$ 342,616</u>

Note 13. Reconciliation of Governmental Fund Balances to Net Position

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

	Net investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	454,100	644,699	(624,391)
Invested in capital assets, net of accumulated depreciation	21,394,443	-	-	-
Revenue bond capitalized indebtedness	(6,370,000)	-	-	-
Computer lease indebtedness	-	-	-	(242,839)
Termination benefits	-	(225,000)	-	-
Accrued interest payable	-	-	(516)	-
Income surtax	-	-	-	936,632
Internal service fund	-	-	-	342,423
Pension related deferred outflows	-	-	-	1,597,865
Pension related deferred inflows	-	-	-	(2,416,916)
Net pension liability	-	-	-	(6,337,438)
Net OPEB liability	-	-	-	(616,605)
Net position (Exhibit A)	\$ 15,024,443	229,100	644,183	(7,361,269)

Note 14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 16,978,528	\$ 549,545
Net pension liability at June 30, 2014	(8,460,132)	(273,358)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	933,765	30,171
Net position July 1, 2014, as restated	\$ 9,452,161	\$ 306,358

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 FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,498,334	390,071	8,888,405	9,299,723	9,299,723	(411,318)
Intermediate sources	-	-	-	1,250,000	1,250,000	(1,250,000)
State sources	10,172,528	7,296	10,179,824	8,890,442	8,890,442	1,289,382
Federal sources	605,772	509,915	1,115,687	855,000	855,000	260,687
Total revenues	<u>19,276,634</u>	<u>907,282</u>	<u>20,183,916</u>	<u>20,295,165</u>	<u>20,295,165</u>	<u>(111,249)</u>
Expenditures/Expenses:						
Instruction	12,430,022	-	12,430,022	10,450,000	12,700,000	269,978
Support services	4,838,151	4,328	4,842,479	5,300,000	5,300,000	457,521
Non-instructional programs	-	815,090	815,090	900,000	900,000	84,910
Other expenditures	1,409,840	-	1,409,840	2,065,715	2,065,715	655,875
Total expenditures/expenses	<u>18,678,013</u>	<u>819,418</u>	<u>19,497,431</u>	<u>18,715,715</u>	<u>20,965,715</u>	<u>1,468,284</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	598,621	87,864	686,485	1,579,450	(670,550)	1,357,035
Other financing sources, net	-	-	-	-	-	-
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	598,621	87,864	686,485	1,579,450	(670,550)	1,357,035
Balances beginning of year, as restated	<u>1,400,101</u>	<u>306,358</u>	<u>1,706,459</u>	<u>1,633,103</u>	<u>1,633,103</u>	<u>73,356</u>
Balances end of year	<u>\$ 1,998,722</u>	<u>394,222</u>	<u>2,392,944</u>	<u>3,212,553</u>	<u>962,553</u>	<u>1,430,391</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$2,250,000.

ATLANTIC COMMUNITY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
District's proportion of the net pension liability	0.161652%
District's proportionate share of the net pension liability	\$ 6,542
District's covered-employee payroll	\$ 10,626
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.57%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

Note: Only the Current year fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST 10 FISCAL YEARS
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 949	964	865	758	621	604	588	504	449	446
Contributions in relation to the statutorily required contribution	<u>(949)</u>	<u>(964)</u>	<u>(865)</u>	<u>(758)</u>	<u>(621)</u>	<u>(604)</u>	<u>(588)</u>	<u>(504)</u>	<u>(449)</u>	<u>(446)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 10,626	10,795	9,977	9,393	8,935	8,691	9,260	8,331	7,809	7,757
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2009	July 1, 2008	\$ -	\$ 795	\$ 795	0.00%	\$ 6,737	11.8%
2010	July 1, 2008	-	795	795	0.00%	9,207	8.6%
2011	July 1, 2008	-	795	795	0.00%	7,362	10.8%
2012	July 1, 2011	-	719	719	0.00%	8,763	8.2%
2013	July 1, 2011	-	703	703	0.00%	8,324	8.4%
2014	July 1, 2011	-	658	658	0.00%	8,291	7.9%
2015	July 1, 2014	-	920	920	0.00%	9,775	9.4%

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION - CASH BASIS
COMPONENT UNIT
DECEMBER 31, 2014

		Atlantic Community School Foundation
ASSETS		
Cash and pooled investments	\$	3,229,906
Capital assets, net of accumulated depreciation		31,950
Total assets		3,261,856
LIABILITIES		
		-
NET POSITION		
Net investment in capital assets		31,950
Support of instructional programs		3,229,906
TOTAL NET POSITION	\$	3,261,856

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CASH BASIS
COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2014

		Atlantic Community School Foundation
REVENUES:		
Contributions	\$	13,811
Interest		47,152
Other general revenues		3,113
TOTAL REVENUES		64,076
EXPENSES:		
Grants to organizations		74,296
Grants to individuals		58,150
Accounting services		400
Real estate taxes		88
TOTAL EXPENSES		132,934
Change in net position		(68,858)
Net position beginning of year		3,330,714
Net position end of year	\$	3,261,856

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



SUPPLEMENTARY INFORMATION

ATLANTIC COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 449,709	186,817	636,526	1,112,126	1,748,652
Receivables:					
Property tax:					
Delinquent	4,314	-	4,314	-	4,314
Succeeding year	250,002	-	250,002	-	250,002
Accounts	-	5,355	5,355	-	5,355
Due from other governments	77	315	392	-	392
TOTAL ASSETS	\$ 704,102	192,487	896,589	1,112,126	2,008,715
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	15,992	15,992	467,427	483,419
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	250,002	-	250,002	-	250,002
Fund balances:					
Restricted for:					
Management levy purposes	454,100	-	454,100	-	454,100
Student activities	-	176,495	176,495	-	176,495
Debt service	-	-	-	644,699	644,699
Total fund balances	454,100	176,495	630,595	644,699	1,275,294
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 704,102	192,487	896,589	1,112,126	2,008,715

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Debt Service	Total
	Management	Student	Total		
	Levy	Activity			
REVENUES:					
Local sources:					
Local tax	\$ 353,830	-	353,830	-	353,830
Other	19,034	241,640	260,674	53	260,727
State sources	158	-	158	-	158
Total revenues	373,022	241,640	614,662	53	614,715
EXPENDITURES:					
Current:					
Instruction:					
Regular	196,971	-	196,971	-	196,971
Other	-	243,671	243,671	-	243,671
Support services:					
Administration	30,766	-	30,766	1,500	32,266
Operation and maintenance of plant	60,241	-	60,241	-	60,241
Transportation	19,255	-	19,255	-	19,255
Long-term Debt:					
Principal	-	-	-	473,384	473,384
Interest and fiscal charges	-	-	-	229,496	229,496
Total expenditures	307,233	243,671	550,904	704,380	1,255,284
Excess(Deficiency) of revenues over(under) expenditures	65,789	(2,031)	63,758	(704,327)	(640,569)
Other financing sources:					
Transfer in	-	-	-	702,838	702,838
Change in fund balances	65,789	(2,031)	63,758	(1,489)	62,269
Fund balances beginning of year	388,311	178,526	566,837	646,188	1,213,025
Fund balances end of year	\$ 454,100	176,495	630,595	644,699	1,275,294

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 559,694	272,518	832,212
Receivables:			
Property tax:			
Delinquent	-	2,335	2,335
Succeeding year	-	511,069	511,069
Income surtax	-	312,211	312,211
Due from other governments	210,917	42	210,959
TOTAL ASSETS	\$ 770,611	1,098,175	1,868,786
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 29,561	10,742	40,303
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	511,069	511,069
Income surtax	-	312,211	312,211
Total deferred inflows of resources	-	823,280	823,280
Fund balances:			
Restricted for:			
School infrastructure	741,050	-	741,050
Physical plant and equipment	-	264,153	264,153
Total fund balances	741,050	264,153	1,005,203
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 770,611	1,098,175	1,868,786

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, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	473,638	473,638
Other	156	45	201
State sources	1,362,939	86	1,363,025
Total revenues	<u>1,363,095</u>	<u>473,769</u>	<u>1,836,864</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	92,846	-	92,846
Administration	1,000	2,750	3,750
Operation and maintenance of plant	14,636	249,275	263,911
Transportation	32,830	-	32,830
Capital outlay	109,353	2,452	111,805
Total expenditures	<u>250,665</u>	<u>254,477</u>	<u>505,142</u>
Excess of revenues over expenditures	1,112,430	219,292	1,331,722
Other financing uses:			
Transfer out	(702,838)	-	(702,838)
Change in fund balances	409,592	219,292	628,884
Fund balances beginning of year	<u>331,458</u>	<u>44,861</u>	<u>376,319</u>
Fund balances end of year	<u>\$ 741,050</u>	<u>264,153</u>	<u>1,005,203</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,633	6,232	6,411	1,454
Vocal Music	18,445	12,881	11,947	19,379
High School Band	3,750	17,774	6,786	14,738
Musical	1,294	4,375	4,015	1,654
Basketball	20,374	15,461	18,620	17,215
Football	35,577	16,989	31,879	20,687
Baseball	2,016	19,981	17,733	4,264
Track	980	12,838	9,812	4,006
Tennis	1,620	1,000	-	2,620
Golf	2,869	2,940	3,549	2,260
Wrestling	1,741	12,189	13,739	191
High School Volleyball	4,431	8,792	8,424	4,799
National Honor Society	2,282	-	119	2,163
Student Council	1,029	6,280	4,449	2,860
FFA	6,825	32,798	34,511	5,112
MS Activities	17,155	17,369	16,746	17,778
Yearbook	14,291	22,832	22,435	14,688
Spanish Club	-	4,691	-	4,691
Cheerleaders	10,512	976	40	11,448
Pride	1,325	-	-	1,325
Jr Class Prom	3,236	4,116	3,072	4,280
General Activity	15,383	17,367	25,625	7,125
Camp Courageous	1,747	-	-	1,747
Atlantic Athletic Foundation	10,011	3,759	3,759	10,011
Total	<u>\$ 178,526</u>	<u>241,640</u>	<u>243,671</u>	<u>176,495</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 7,249,995	6,941,915	7,816,196	7,810,080	7,391,052	6,871,584	6,475,866	5,976,105	5,657,116	5,519,381
Tuition	762,645	799,448	875,803	839,800	1,050,609	1,144,334	1,136,351	1,034,146	1,013,833	905,598
Other	485,694	714,369	725,951	813,068	854,453	654,946	617,852	914,129	644,158	858,431
State sources	10,172,528	9,906,365	8,219,651	8,231,553	7,574,184	6,901,842	7,682,348	7,348,171	7,006,302	6,380,868
Federal sources	605,772	592,563	667,549	585,572	983,670	1,539,835	743,984	441,246	403,571	438,369
Total	\$ 19,276,634	18,954,660	18,305,150	18,280,073	17,853,968	17,112,541	16,656,401	15,713,797	14,724,980	14,102,647
Expenditures:										
Instruction:										
Regular	\$ 7,487,870	7,828,578	7,211,245	6,807,422	6,206,164	6,176,665	6,252,296	5,893,497	5,717,955	5,410,666
Special	2,727,117	2,375,872	2,776,536	2,156,126	2,296,607	2,258,358	2,622,408	2,469,704	2,160,567	1,921,407
Other	2,215,035	2,188,047	2,157,201	1,829,587	1,721,124	1,906,405	1,598,669	1,597,619	896,025	831,840
Support services:										
Student	472,033	533,793	505,204	348,426	417,724	458,038	426,546	380,348	375,303	387,154
Instructional staff	650,647	1,407,538	785,184	874,448	630,764	608,228	594,531	706,069	597,916	578,921
Administration	1,582,981	1,581,986	1,521,203	1,537,407	1,391,061	1,458,125	1,453,341	1,316,769	1,232,323	1,100,090
Operation and maintenance										
of plant	1,541,809	1,797,324	1,688,268	1,750,613	1,307,329	1,230,056	1,260,802	1,217,498	1,198,317	1,193,207
Transportation	590,681	802,657	741,014	543,840	598,783	579,645	712,917	531,663	521,875	512,138
Non-instructional programs	-	3,817	3,893	371	11,423	12,246	12,644	12,398	10,133	8,681
Capital outlay	111,805	793,722	2,779,249	4,881,579	2,116,793	2,464,044	2,095,735	108,805	379,086	612,430
Long-term debt:										
Principal	473,384	496,363	739,387	1,039,236	742,666	681,151	615,000	595,000	565,000	545,000
Interest and other charges	229,496	230,540	239,586	231,491	24,255	117,218	130,573	155,116	178,422	200,904
Other expenditures:										
AEA flow-through	595,155	568,211	541,501	525,725	581,707	569,666	518,992	476,641	456,669	410,189
Total	\$ 18,678,013	20,608,448	21,689,471	22,526,271	18,046,400	18,519,845	18,294,454	15,461,127	14,289,591	13,712,627

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	\$ 75,244
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	410,089 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 15	24,582
			<u>509,915</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6102-G	289,250
ADVANCE PLACEMENT PROGRAM	84.330	FY 15	233
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 15	55,743
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 15	7,415
GREEN HILLS AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 15	71,550
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	11,900
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
DEVELOPMENTAL DISABILITIES PROJECTS OF NATIONAL SIGNIFICANCE (MODEL EMPLOYMENT TRANSITION)	93.631	FY 15	7,779
TOTAL			<u>\$ 953,785</u>

* Includes \$51,594 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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 6, 2016.

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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Atlantic Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other

matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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.

January 6, 2016
Newton, Iowa

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**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control Over Compliance
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 its major federal programs for the year ended June 30, 2015. 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, 2015.

Members American Institute & Iowa Society of Certified Public Accountants

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 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. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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.

January 6, 2016
Newton, Iowa

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting was noted.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were 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:
 - **Child Nutrition Cluster:**
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Atlantic Community School District did not qualify as a low-risk auditee.

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

No material weaknesses in internal control over major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-15 Certified Budget - District expenditures for the year ended June 30, 2015 did not exceed the certified budget.

IV-B-14 Questionable Disbursements - We noted during our audit that the District purchased iTunes gift cards. Giving cash or gift cards does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979. Gift cards also do not meet the "audit and allow" provision of Iowa Code Section 279.29.

Recommendation - Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to "audit and allow" all bills and the gift card does not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards to be given as prizes, gifts or incentives to be in compliance with an Attorney General's opinion dated April 25, 1979.

Response - The district has a Business Procedures Manual that address the use of gift card and has reviewed the proper procedures with appropriate employees.

Conclusion - Response accepted.

IV-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-15 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)	\$77,084
DeeAnn Schreiner, Food Service Director Spouse is manager for Reinhart Food Service	Food/Supplies	\$81,648
Cathy Knuth, Teacher Spouse is manager for Akin Building Center	Repair supplies	\$7,414

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-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-15 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of resident students was understated by one student.

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

Response - The District's auditors will contact the Iowa Department of Education and the Iowa Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in amounts reported.

IV-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	331,458
Revenues:			
Statewide sales, services and use tax	\$	1,362,939	
Other local revenues		156	1,363,095
			<u>1,694,553</u>
Expenditures/transfer out:			
School infrastructure construction	\$	109,353	
Equipment		92,880	
Other		48,432	
Transfer to another fund:			
Debt service		702,838	953,503
			<u>953,503</u>
Ending Balance		\$	<u>741,050</u>

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

IV-M-15 Financial Condition - The District had the following deficit balances at June 30, 2015. The District had a deficit unassigned fund balance of \$624,391 and a total deficit fund balance of \$281,775 in the General Fund. The District also had a deficit unrestricted net position in the District's Governmental Activities of \$7,361,269. The primary reason for the deficit net position is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should continue to monitor these fund balances and investigate alternatives to eliminate the deficits. Additionally the District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The district has taken measures for the upcoming year to eliminate the deficit. The district monitors the fund balance monthly and has developed a 5 year projection for fund balances to avoid future deficits.

Conclusion - Response accepted.

IV-N-15 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended. The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281- 12.6(1).

PBIS: We noted expenditures from the MS Activities account for the Districts PBIS program. These expenditures do not appear to be related to the cocurricular or extracurricular activities of the District and would be more appropriately accounted for in a different fund.

Recommendation - The District should review its procedures for coding expenditures to ensure that student activity funds are only spent for an allowable purpose. PBIS expenditures would appear to be a part of the District's instructional program and more appropriately handled out of the General Fund.

Response - The district's PBIS account has been moved to the General Fund.

Conclusion - Response accepted.