

ATLANTIC COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2016

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ATLANTIC COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2015 Election)

Kristy Pellett	President	2017
Phil Hascall	Vice President	2015
Dennis Davis	Board Member	2015
Rodney Hartwig	Board Member	2015
Josh McLaren	Board Member	2017

(After September 2015 Election)

Josh McLaren	President	2017
Kristy Pellett	Vice President	2017
Keith Swanson	Board Member	2019
Jenny Williams	Board Member	2019
Alison Bruckner	Board Member	2019

School Officials

Dr. Michael Amstein	Superintendent	2016
Mary Beth Fast	Business Manager/Board Secretary	2016
Olivia Newberg	Board Treasurer	2016
Lynch Dallas, P.C.	Attorney	2016

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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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, 2016, and the related Notes to 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, 2016, 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.

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 16 and 46 through 53 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, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the Schedule of Expenditures of Federal Awards, 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, including the Schedule of Expenditures of Federal Awards, 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 30, 2017, 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 30, 2017
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, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$16,825,055 in fiscal year 2015 to \$17,856,266 in fiscal year 2016, while General Fund expenditures decreased from \$16,917,587 in fiscal year 2015 to \$16,795,701 in fiscal year 2016. Revenues exceeded expenditures causing an increase in the District's General Fund balance from a deficit \$281,775 at June 30, 2015 to a balance of \$778,790 at June 30, 2016, a 376.39% increase from the prior year.
- The increase in General fund revenues was attributed to the increase in state source revenues received during fiscal year 2016 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 custodian for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan and 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.

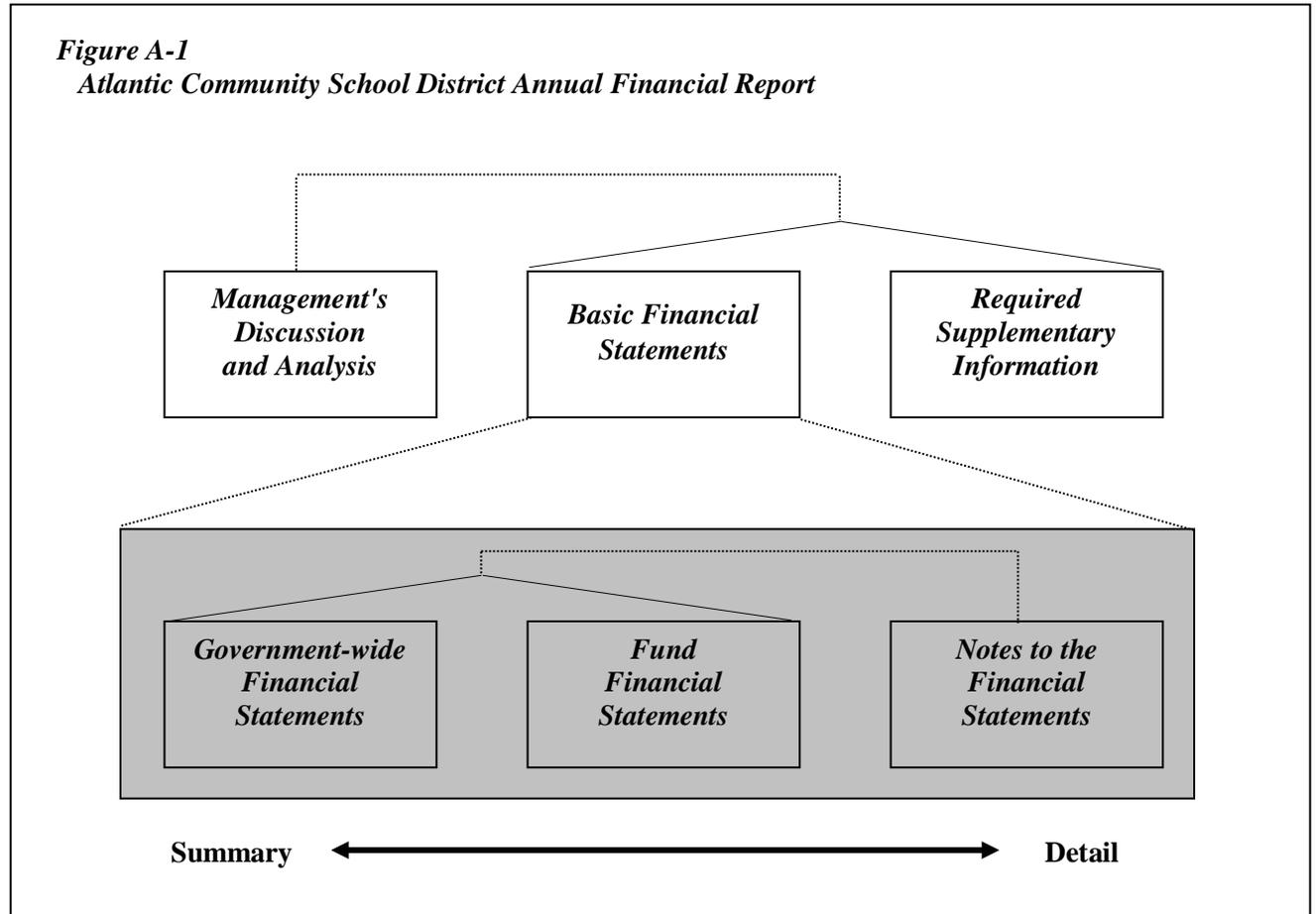


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

In the government-wide financial statements, the District's activities are divided into 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 and Agency Fund

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain monies as a fiscal agent.

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, 2016 compared to June 30, 2015.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Current and other assets	\$ 14,284,481	12,181,766	593,471	554,674	14,877,952	12,736,440	16.81%
Capital assets	20,670,080	21,394,443	92,848	95,448	20,762,928	21,489,891	-3.38%
Total assets	34,954,561	33,576,209	686,319	650,122	35,640,880	34,226,331	4.13%
Deferred outflows of resources	1,505,462	1,597,865	46,262	49,866	1,551,724	1,647,731	-5.83%
Long-term liabilities	14,623,321	13,791,882	242,198	208,618	14,865,519	14,000,500	6.18%
Other liabilities	2,447,598	2,400,223	23,833	19,054	2,471,431	2,419,277	2.16%
Total liabilities	17,070,919	16,192,105	266,031	227,672	17,336,950	16,419,777	5.59%
Deferred inflows of resources	7,895,571	8,921,198	32,876	78,094	7,928,447	8,999,292	-11.90%
Net position:							
Net investment in capital assets	14,660,080	15,024,443	92,848	95,448	14,752,928	15,119,891	-2.43%
Restricted	3,072,027	2,397,597	-	-	3,072,027	2,397,597	28.13%
Unrestricted	(6,238,574)	(7,361,269)	340,826	298,774	(5,897,748)	(7,062,495)	16.49%
Total net position	\$ 11,493,533	10,060,771	433,674	394,222	11,927,207	10,454,993	14.08%

The District's combined net position increased by 14.08%, or \$1,472,214, 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 \$674,430, or 28.13% from the prior year. The increase in restricted net position can be attributed to the increase in ending fund balance of the Capital Projects: Physical Plant and Equipment Levy 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 - increased \$1,164,747, or 16.49%. This increase in unrestricted net position was primarily a result of the increase in fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

	Figure A-4						
	Changes of Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
2016	2015	2016	2015	2016	2015	2015-16	
Revenues							
Program revenues:							
Charges for service	\$ 1,259,402	1,098,317	389,231	386,163	1,648,633	1,484,480	11.06%
Operating grants, contributions and restricted interest	1,813,892	1,729,217	514,290	517,211	2,328,182	2,246,428	3.64%
General revenues:							
Property tax	6,502,041	6,339,872	-	-	6,502,041	6,339,872	2.56%
Income surtax	611,043	943,427	-	-	611,043	943,427	-35.23%
Statewide sales, services and use tax	1,388,285	1,362,939	-	-	1,388,285	1,362,939	1.86%
Unrestricted state grants	8,625,174	7,790,576	-	-	8,625,174	7,790,576	10.71%
Unrestricted investment earnings	1,210	572	112	98	1,322	670	97.31%
Other	86,522	45,018	573	3,810	87,095	48,828	78.37%
Total revenues	20,287,569	19,309,938	904,206	907,282	21,191,775	20,217,220	4.82%
Program expenses:							
Instruction	12,374,567	12,190,220	-	-	12,374,567	12,190,220	1.51%
Support services	4,787,000	4,827,590	9,936	4,328	4,796,936	4,831,918	-0.72%
Non-instructional programs	-	-	854,818	815,090	854,818	815,090	4.87%
Other expenditures	1,693,240	1,683,518	-	-	1,693,240	1,683,518	0.58%
Total expenses	18,854,807	18,701,328	864,754	819,418	19,719,561	19,520,746	1.02%
Change in net position	1,432,762	608,610	39,452	87,864	1,472,214	696,474	111.38%
Net position beginning of year	10,060,771	9,452,161	394,222	306,358	10,454,993	9,758,519	7.14%
Net position end of year	\$ 11,493,533	10,060,771	433,674	394,222	11,927,207	10,454,993	14.08%

In fiscal year 2016, local tax (property tax and income surtax) statewide sales, services and use tax and unrestricted state grants accounted for 84.42% of the revenue from governmental activities while charges

for services and operating grants and contributions account for approximately 99.92% of the revenue from business type activities.

The District's total revenues were approximately \$21.19 million of which approximately \$20.29 million was for governmental activities and approximately \$0.90 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 4.82% in revenues and a 1.02% increase in expenses. The increase in revenues is attributable to the increase in unrestricted state grant revenue received while the increase in expenses was largely attributable to an increase in expenditures for instruction during the year.

Governmental Activities

Revenues for governmental activities were \$20,287,569 and expenses were \$18,854,807 for the year ended June 30, 2016.

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, 2016 compared to those expenses for the year ended June 30, 2015.

	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-16	2016	2015	Change 2015-16
Instruction	\$ 12,374,567	12,190,220	1.51%	9,927,534	9,974,553	-0.47%
Support services	4,787,000	4,827,590	-0.84%	4,772,468	4,810,878	-0.80%
Other expenses	1,693,240	1,683,518	0.58%	1,081,511	1,088,363	-0.63%
Totals	<u>\$ 18,854,807</u>	<u>18,701,328</u>	<u>0.82%</u>	<u>15,781,513</u>	<u>15,873,794</u>	<u>-0.58%</u>

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$1,259,402.
- Federal and state governments subsidized certain programs with grants and contributions from outside organizations totaled \$1,813,892.
- The net cost of governmental activities was financed with \$6,502,041 in property tax, \$611,043 in income surtax, \$1,388,285 in statewide sales, services and use tax, \$8,625,174 in unrestricted state grants, \$1,210 in interest income and \$86,522 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$904,206 and expenses were \$864,754 for the year ended June 30, 2016. 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 \$3,860,001, above last year's ending combined fund balances of \$1,998,722. The primary reason for the increase in combined fund balance is the increase in the fund balance of the General Fund.

Governmental Fund Highlights

- The District's increase in General Fund financial position from a deficit \$281,775 at June 30, 2015 to a balance of \$778,790 at June 30, 2016 is a product of many factors. Revenues increased due to the increase in the amount of state source revenue received during the year while expenditures decreased due to a decrease in instruction and support services expenditures during the year. Revenues exceeded expenditures, resulting in an increase 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 \$1,005,203 at June 30, 2015 to \$1,876,387 at June 30, 2016. The Statewide Sales, Services and Use Tax Fund increased to an ending fund balance of \$1,004,205 at June 30, 2016 compared to \$741,050 at June 30, 2015. The Physical Plant and Equipment Levy Fund increased from a fund balance of \$264,153 at June 30, 2015 to \$872,182 at June 30, 2016.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$394,222 at June 30, 2015 to \$433,674 at June 30, 2016, representing an increase of 10.01%. Revenues remained relatively unchanged from the prior year while expenses increased compared to the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Atlantic Community School District amended its budget one time to reflect additional expenditures associated with donation/grant expenditures and special education.

The District's revenues were \$213,606 more than budgeted revenues, a variance of one percent. This variance resulted from the District receiving more in state and federal 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.

In spite of the District's budgetary practice, expenditures in the other expenditures functional area exceeded the amounts budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested approximately \$20.76 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 3.38% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$977,634.

The original cost of the District's capital assets was approximately \$35.30 million. Governmental activities account for approximately \$34.96 million with the remainder of approximately \$0.34 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2015 as compared to \$51,948 at June 30, 2016. The increase in construction in progress was the result of work begun on a playground for the District.

	Governmental Activities		Business Type Activities		Total District		Total
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2015-16
Land	\$ 928,419	928,419	-	-	928,419	928,419	0.00%
Construction in progress	51,948	-	-	-	51,948	-	100.00%
Buildings	18,995,154	19,654,298	-	-	18,995,154	19,654,298	-3.35%
Land improvements	379,937	460,842	-	-	379,937	460,842	-17.56%
Machinery and equipment	314,622	350,884	92,848	95,448	407,470	446,332	-8.71%
Total	\$ 20,670,080	21,394,443	92,848	95,448	20,762,928	21,489,891	-3.38%

Long-Term Debt

At June 30, 2016, the District had \$14,865,519 in revenue bonds payable, computer lease payable and other long-term debt outstanding. This represents an increase of 6.18% 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, 2016, the District had \$6,010,000 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 \$122,443 at June 30, 2016.

The District had outstanding termination benefits of \$366,667 at June 30, 2016 payable from the Management Levy Fund.

The District had a net pension liability of \$7,663,127 at June 30, 2016. Governmental activities accounted for \$7,425,289 of this total and business type activities accounted for \$237,838.

The District also had a net OPEB liability of \$703,282 at June 30, 2016. Governmental activities accounted for \$698,922 of this total and business type activities accounted for the remaining \$4,360.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total Change June 30, 2015-16
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2016	2015	2016	2015	2016	2015	
Revenue bonds	\$ 6,010,000	6,370,000	-	-	6,010,000	6,370,000	-5.65%
Computer lease	122,443	242,839	-	-	122,443	242,839	-49.58%
Termination benefits	366,667	225,000	-	-	366,667	225,000	62.96%
Net pension liability	7,425,289	6,337,438	237,838	204,771	7,663,127	6,542,209	17.13%
Net OPEB liability	698,922	616,605	4,360	3,847	703,282	620,452	13.35%
Total	\$ 14,623,321	13,791,882	242,198	208,618	14,865,519	14,000,500	6.18%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District anticipates slight enrollment increases in the future as an ethanol plant will be constructed in Atlantic sometime in 2017 or 2018 and Coca Cola Bottling has greatly expanded its territory. Both of these employers will increase employment opportunities in the City of Atlantic and the surrounding area.

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, 2016

	Primary Government			Component Unit *
	Governmental Activities	Business Type Activities	Total	Atlantic Community School Foundation
ASSETS				
Cash and pooled investments	\$ 5,928,523	555,948	6,484,471	3,155,011
Receivables:				
Property tax:				
Delinquent	27,163	-	27,163	-
Succeeding year	6,966,255	-	6,966,255	-
Income surtax	632,450	-	632,450	-
Accounts	16,947	1,562	18,509	-
Due from other governments	713,143	13,857	727,000	-
Inventories	-	22,104	22,104	-
Capital assets, net of accumulated depreciation	20,670,080	92,848	20,762,928	31,950
TOTAL ASSETS	34,954,561	686,319	35,640,880	3,186,961
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	1,505,462	46,262	1,551,724	-
LIABILITIES				
Accounts payable	847,293	11,176	858,469	-
Salaries and benefits payable	1,600,043	-	1,600,043	-
Accrued interest payable	262	-	262	-
Unearned revenue	-	12,657	12,657	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	365,000	-	365,000	-
Computer lease payable	122,443	-	122,443	-
Termination benefits payable	191,667	-	191,667	-
Portion due after one year:				
Revenue bonds payable	5,645,000	-	5,645,000	-
Termination benefits payable	175,000	-	175,000	-
Net pension liability	7,425,289	237,838	7,663,127	-
Net OPEB liability	698,922	4,360	703,282	-
TOTAL LIABILITIES	17,070,919	266,031	17,336,950	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable property tax revenue	6,966,255	-	6,966,255	-
Pension related deferred inflows	929,316	32,876	962,192	-
TOTAL DEFERRED INFLOWS OF RESOURCES	7,895,571	32,876	7,928,447	-
NET POSITION				
Net investment in capital assets	14,660,080	92,848	14,752,928	31,950
Restricted for:				
Support of instructional programs	-	-	-	3,155,011
Categorical funding	340,707	-	340,707	-
Management levy purposes	52,759	-	52,759	-
Student activities	159,428	-	159,428	-
Debt service	642,746	-	642,746	-
School infrastructure	1,004,205	-	1,004,205	-
Physical plant and equipment	872,182	-	872,182	-
Unrestricted	(6,238,574)	340,826	(5,897,748)	-
TOTAL NET POSITION	\$ 11,493,533	433,674	11,927,207	3,186,961

* Component unit information is on a cash basis as of December 31, 2015

SEE NOTES TO FINANCIAL STATEMENTS.

**ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	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	\$ 7,355,533	632,649	203,835	(6,519,049)	-	(6,519,049)	-
Special	2,815,821	366,661	223,603	(2,225,557)	-	(2,225,557)	-
Other	2,203,213	245,560	774,725	(1,182,928)	-	(1,182,928)	-
	<u>12,374,567</u>	<u>1,244,870</u>	<u>1,202,163</u>	<u>(9,927,534)</u>	<u>-</u>	<u>(9,927,534)</u>	<u>-</u>
Support services:							
Student	448,043	-	-	(448,043)	-	(448,043)	-
Instructional staff	618,788	-	-	(618,788)	-	(618,788)	-
Administration	1,575,478	-	-	(1,575,478)	-	(1,575,478)	-
Operation and maintenance of plant	1,580,696	-	-	(1,580,696)	-	(1,580,696)	-
Transportation	563,995	14,532	-	(549,463)	-	(549,463)	-
	<u>4,787,000</u>	<u>14,532</u>	<u>-</u>	<u>(4,772,468)</u>	<u>-</u>	<u>(4,772,468)</u>	<u>-</u>
Long-term debt interest	221,905	-	-	(221,905)	-	(221,905)	-
Other expenditures:							
AEA flowthrough	611,729	-	611,729	-	-	-	-
Depreciation(unallocated)*	859,606	-	-	(859,606)	-	(859,606)	-
	<u>1,471,335</u>	<u>-</u>	<u>611,729</u>	<u>(859,606)</u>	<u>-</u>	<u>(859,606)</u>	<u>-</u>
Total governmental activities	<u>18,854,807</u>	<u>1,259,402</u>	<u>1,813,892</u>	<u>(15,781,513)</u>	<u>-</u>	<u>(15,781,513)</u>	<u>-</u>
Business type activities:							
Support services:							
Administration	105	-	-	-	(105)	(105)	-
Operation and maintenance of plant	9,831	-	-	-	(9,831)	(9,831)	-
Non-instructional programs:							
Food service operations	854,818	389,231	514,290	-	48,703	48,703	-
Total business type activities	<u>864,754</u>	<u>389,231</u>	<u>514,290</u>	<u>-</u>	<u>38,767</u>	<u>38,767</u>	<u>-</u>
Total primary government	<u>\$ 19,719,561</u>	<u>1,648,633</u>	<u>2,328,182</u>	<u>(15,781,513)</u>	<u>38,767</u>	<u>(15,742,746)</u>	<u>-</u>
Total component unit	<u>\$ 171,019</u>	<u>-</u>	<u>24,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,578</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 5,991,356	-	5,991,356	-
Capital outlay				510,685	-	510,685	-
Income surtax				611,043	-	611,043	-
Statewide sales, services and use tax				1,388,285	-	1,388,285	-
Unrestricted state grants				8,625,174	-	8,625,174	-
Unrestricted investment earnings				1,210	112	1,322	70,417
Other general revenues				86,522	573	87,095	1,266
Total general revenues				<u>17,214,275</u>	<u>685</u>	<u>17,214,960</u>	<u>71,683</u>
Change in net position				1,432,762	39,452	1,472,214	(74,895)
Net position beginning of year				10,060,771	394,222	10,454,993	3,261,856
Net position end of year				<u>\$ 11,493,533</u>	<u>433,674</u>	<u>11,927,207</u>	<u>3,186,961</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, 2015

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 2,109,913	1,751,989	1,688,506	5,550,408
Receivables:				
Property tax:				
Delinquent	24,007	2,110	1,046	27,163
Succeeding year	5,958,258	527,074	480,923	6,966,255
Income surtax	632,450	-	-	632,450
Accounts	15,510	-	1,113	16,623
Due from other governments	485,010	228,114	19	713,143
TOTAL ASSETS	\$ 9,225,148	2,509,287	2,171,607	13,906,042
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 255,607	105,826	485,860	847,293
Salaries and benefits payable	1,600,043	-	-	1,600,043
Total liabilities	1,855,650	105,826	485,860	2,447,336
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	5,958,258	527,074	480,923	6,966,255
Income surtax	632,450	-	-	632,450
Total deferred inflows of resources	6,590,708	527,074	480,923	7,598,705
Fund balances:				
Restricted for:				
Categorical funding	340,707	-	-	340,707
Management levy purposes	-	-	419,426	419,426
Student activities	-	-	159,428	159,428
Debt service	-	-	643,008	643,008
School infrastructure	-	1,004,205	-	1,004,205
Physical plant and equipment	-	872,182	-	872,182
Unassigned:				
General fund	438,083	-	-	438,083
Student activities	-	-	(17,038)	(17,038)
Total fund balances	778,790	1,876,387	1,204,824	3,860,001
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,225,148	2,509,287	2,171,607	13,906,042

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2016

Total fund balances of governmental funds(page 20)		\$ 3,860,001
<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.		20,670,080
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.		(262)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		378,439
Accounts receivable income surtax, is not available to finance expenditures of the current fiscal period and, therefore, is recognized as deferred inflows of resources in the governmental funds.		632,450
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	\$ 1,505,462	
Deferred inflows of resources	<u>(929,316)</u>	576,146
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>(14,623,321)</u>
Net position of governmental activities(page 18)		<u><u>\$ 11,493,533</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 6,354,630	812,709	249,927	7,417,266
Tuition	942,459	-	-	942,459
Other	338,356	353	267,265	605,974
State sources	9,567,027	1,399,692	5,539	10,972,258
Federal sources	653,794	-	-	653,794
Total revenues	<u>17,856,266</u>	<u>2,212,754</u>	<u>522,731</u>	<u>20,591,751</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	7,286,585	1,367	203,655	7,491,607
Special	2,725,569	-	-	2,725,569
Other	1,895,382	-	275,436	2,170,818
	<u>11,907,536</u>	<u>1,367</u>	<u>479,091</u>	<u>12,387,994</u>
Support services:				
Student	488,069	-	-	488,069
Instructional staff	524,742	115,403	-	640,145
Administration	1,560,560	-	29,735	1,590,295
Operation and maintenance of plant	1,225,068	209,830	65,707	1,500,605
Transportation	477,997	1,602	18,627	498,226
	<u>4,276,436</u>	<u>326,835</u>	<u>114,069</u>	<u>4,717,340</u>
Capital outlay	-	310,854	-	310,854
Long-term debt:				
Principal	-	-	480,396	480,396
Interest and fiscal charges	-	-	222,159	222,159
	<u>-</u>	<u>-</u>	<u>702,555</u>	<u>702,555</u>
Other expenditures:				
AEA flowthrough	611,729	-	-	611,729
Total expenditures	<u>16,795,701</u>	<u>639,056</u>	<u>1,295,715</u>	<u>18,730,472</u>
Excess(Deficiency) of revenues over(under) expenditures	1,060,565	1,573,698	(772,984)	1,861,279
Other financing sources(uses):				
Transfer in	-	-	702,514	702,514
Transfer out	-	(702,514)	-	(702,514)
Total other financing sources(uses)	<u>-</u>	<u>(702,514)</u>	<u>702,514</u>	<u>-</u>
Change in fund balances	1,060,565	871,184	(70,470)	1,861,279
Fund balances beginning of year	<u>(281,775)</u>	<u>1,005,203</u>	<u>1,275,294</u>	<u>1,998,722</u>
Fund balances end of year	<u>\$ 778,790</u>	<u>1,876,387</u>	<u>1,204,824</u>	<u>3,860,001</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, 2016

Change in fund balances - total governmental funds(page 22)	\$	1,861,279
<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	\$ 235,460	
Depreciation expense	<u>(959,823)</u>	(724,363)
<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>		
		480,396
<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>		
		254
<p>The change in the Internal Service Fund is charged back against expenditures made for self-funded insurance at an entity-wide basis.</p>		
		36,016
<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>		
		(304,182)
<p>The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position.</p>		
		937,483
<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	(141,667)	
Pension expense	(630,137)	
Other postemployment benefits	<u>(82,317)</u>	<u>(854,121)</u>
Change in net position of governmental activities(page 19)	\$	<u>1,432,762</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
ASSETS		
Current assets:		
Cash and pooled investments	\$ 555,948	378,115
Accounts receivable	1,562	324
Due from other governments	13,857	-
Inventories	22,104	-
Total current assets	<u>593,471</u>	<u>378,439</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	92,848	-
TOTAL ASSETS	<u>686,319</u>	<u>378,439</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	46,262	-
LIABILITIES		
Current liabilities:		
Accounts payable	11,176	-
Unearned revenue	12,657	-
Total current liabilities	<u>23,833</u>	<u>-</u>
Noncurrent liabilities:		
Net pension liability	237,838	-
Net OPEB liability	4,360	-
Total noncurrent liabilities	<u>242,198</u>	<u>-</u>
TOTAL LIABILITIES	<u>266,031</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	32,876	-
NET POSITION		
Net investment in capital assets	92,848	-
Unrestricted	340,826	378,439
TOTAL NET POSITION	<u>\$ 433,674</u>	<u>378,439</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, 2016

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 389,231	-
Miscellaneous	573	1,615,188
TOTAL OPERATING REVENUES	389,804	1,615,188
OPERATING EXPENSES:		
Instruction:		
Regular:		
Benefits	-	43,033
Support services:		
Administration:		
Services	105	1,536,215
Operation and maintenance of plant:		
Services	9,831	-
Total support services	9,936	1,536,215
Non-instructional programs:		
Food service operations:		
Salaries	314,074	-
Benefits	61,283	-
Services	36,938	-
Supplies	418,705	-
Depreciation	17,811	-
Other	6,007	-
Total non-instructional programs	854,818	-
TOTAL OPERATING EXPENSES	864,754	1,579,248
OPERATING INCOME(LOSS)	(474,950)	35,940
NON-OPERATING REVENUES:		
State sources	6,659	-
Federal sources	507,631	-
Interest on investments	112	76
TOTAL NON-OPERATING REVENUES	514,402	76
Change in net position	39,452	36,016
Net position beginning of year	394,222	342,423
Net position end of year	\$ 433,674	378,439

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 388,946	-
Cash received from miscellaneous sources	573	1,615,188
Cash payments to employees for services	(383,391)	(1,579,572)
Cash payments to suppliers for goods or services	(425,407)	-
Net cash provided by(used in) operating activities	<u>(419,279)</u>	<u>35,616</u>
Cash flows from non-capital financing activities:		
State grants received	6,659	-
Federal grants received	457,319	-
Net cash provided by non-capital financing activities	<u>463,978</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(15,211)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>112</u>	<u>76</u>
Net increase in cash and pooled investments	29,600	35,692
Cash and pooled investments beginning of year	<u>526,348</u>	<u>342,423</u>
Cash and pooled investments end of year	<u>\$ 555,948</u>	<u>378,115</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (474,950)	35,940
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities used	50,301	-
Depreciation	17,811	-
Increase in inventories	(9,841)	-
Decrease(Increase) in accounts receivable	655	(324)
Increase in accounts payable	5,719	-
Increase in other postemployment benefits	513	-
Increase in net pension liability	33,067	-
Decrease in deferred outflows of resources	3,604	-
Decrease in deferred inflows of resources	(45,218)	-
Decrease in unearned revenue	(940)	-
Net cash provided by(used in) operating activities	<u>\$ (419,279)</u>	<u>35,616</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2016, the District received Federal commodities valued at \$50,301.

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 150,007	219
LIABILITIES		
Due to other groups	-	219
NET POSITION		
Held in trust for scholarships	\$ 150,007	-

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Contributions	\$ 3,500
Interest	30
Total additions	<u>3,530</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>5,750</u>
Change in net position	(2,220)
Net position beginning of year	<u>152,227</u>
Net position end of year	<u>\$ 150,007</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ATLANTIC COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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. The Foundation has a December 31st year end. The financial statements present for the foundation are unaudited.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Cass, Audubon and Pottawattamie County Assessors' Conference Boards.

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 fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds are the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, and claims and judgments, are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 and Pooled Investments - 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, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2015.

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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

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 the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures exceeded the amounts budgeted in the other expenditures functional area.

Note 2. Cash and Pooled Investments

The District’s deposits at June 30, 2016 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, 2016, the District had no such investments.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Note 3. Interfund Transfers

The detail of interfund transfers for year end June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 702,514

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, 2016 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 320,254	15,211	-	335,465
Less accumulated depreciation	224,806	17,811	-	242,617
Business type activities capital assets, net	\$ 95,448	(2,600)	-	92,848

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 928,419	-	-	928,419
Construction in progress	-	51,948	-	51,948
Total capital assets not being depreciated	928,419	51,948	-	980,367
Capital assets being depreciated:				
Buildings	29,338,752	115,497	-	29,454,249
Land improvements	1,768,733	4,060	-	1,772,793
Machinery and equipment	2,688,741	63,955	-	2,752,696
Total capital assets being depreciated	33,796,226	183,512	-	33,979,738
Less accumulated depreciation for:				
Buildings	9,684,454	774,641	-	10,459,095
Land improvements	1,307,891	84,965	-	1,392,856
Machinery and equipment	2,337,857	100,217	-	2,438,074
Total accumulated depreciation	13,330,202	959,823	-	14,290,025
Total capital assets being depreciated, net	20,466,024	(776,311)	-	19,689,713
Governmental activities capital assets, net	\$ 21,394,443	(724,363)	-	20,670,080

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 5,008
Other		3,401
Support services:		
Administration		1,976
Operation and maintenance of plant		9,697
Transportation		80,135
		100,217
Unallocated depreciation		859,606
Total governmental activities depreciation expense		\$ 959,823
Business type activities:		
Food service operations		\$ 17,811

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 6,370,000	-	360,000	6,010,000	365,000
Computer Lease	242,839	-	120,396	122,443	122,443
Termination Benefits	225,000	250,000	108,333	366,667	191,667
Net Pension Liability	6,337,438	1,087,851	-	7,425,289	-
Net OPEB Liability	616,605	82,317	-	698,922	-
Total	<u>\$ 13,791,882</u>	<u>1,420,168</u>	<u>588,729</u>	<u>14,623,321</u>	<u>679,110</u>
<u>Business type activities:</u>					
Net Pension Liability	\$ 204,771	33,067	-	237,838	-
Net OPEB Liability	3,847	513	-	4,360	-
Total	<u>\$ 208,618</u>	<u>33,580</u>	<u>-</u>	<u>242,198</u>	<u>-</u>

Revenue Bonds Payable

Details of the District's June 30, 2016 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
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	3.20	400,000	173,590	573,590
2022-2026	3.35-4.00	2,230,000	652,995	2,882,995
2027-2030	4.10-4.25	1,875,000	180,425	2,055,425
Total		<u>\$ 6,010,000</u>	<u>1,804,010</u>	<u>7,814,010</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$7,660,000 of bonds issued in August 2011. The bonds were issued for the purpose of financing renovations to the Middle School. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 42% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$7,814,010. For the current year, \$360,000 of principal and \$218,030 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$1,388,285.

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, 2016 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
2017	1.70	% \$ 122,443	2,082	124,525

Termination Benefits Payable

During the year ended June 30, 2016, 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-five on or before June 30th of the year in which they wish to retire and had completed at least ten 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 \$25,000 in three equal payments to a Health Reimbursement Arrangement payable over three years. 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, 2016, the District has obligations to twenty-three participants with a total liability of \$336,667. Actual early retirement expenditures for the year ended June 30, 2016 totaled \$108,333.

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, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date 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 - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State 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 2016, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the District contributed 8.93 percent of covered payroll for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2016 were \$965,184.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$7,663,127 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30,

2015, 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, 2015, the District's collective proportion was 0.155109 percent, which was a decrease of 0.009852 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$649,291. At June 30, 2016, 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	\$ 115,780	\$ -
Changes of assumptions	210,985	-
Net difference between projected and actual earnings on IPERS' investments	-	637,772
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	259,775	324,420
District contributions subsequent to the measurement date	965,184	-
Total	<u>\$ 1,551,724</u>	<u>\$ 962,192</u>

\$965,184 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, 2017. 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,	Amount
2017	\$ (209,946)
2018	(209,946)
2019	(209,946)
2020	270,090
2021	(15,904)
Total	<u>\$ (375,652)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 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
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in the June 30, 2015 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 IPERS' 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

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, IPERS' 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 IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 13,416,756	7,663,127	2,806,651

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

Payables to IPERS - At June 30, 2016, the District reported payables to IPERS of \$106,355 for legally required employer contributions and \$70,864 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, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	146,999
Interest on net OPEB obligation		15,511
Adjustment to annual required contribution		<u>(51,004)</u>
Annual OPEB cost		111,506
Contributions made		<u>(28,676)</u>
Increase in net OPEB obligation		82,830
Net OPEB obligation - beginning of year		<u>620,452</u>
Net OPEB obligation - end of year	\$	<u><u>703,282</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, 2016.

For the year ended June 30, 2016, the District contributed \$28,676 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
2014	\$ 90,094	3.84%	\$ 536,112
2015	110,865	23.93%	620,452
2016	111,506	25.72%	703,282

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was approximately \$0.870 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$0.870 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10.352 million, and the ratio of the UAAL to the covered payroll was 8.4%. As of June 30, 2016, 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 Financial Statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques 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 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 \$611,729 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Deficit Unrestricted Fund Balance

At June 30, 2016, the District had four deficit accounts in the Student Activity Fund with a combined deficit unrestricted fund balance of \$17,038.

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. This agreement runs through June 30, 2017.

The District leases a portable building from Rob Prullhiere, one for \$10,500 a year which is used as a District classroom.

Note 12. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2016 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Beginning Teacher Mentoring and Induction	\$ 1,568
Gifted and Talented Programs	53,521
Beginning Administrator Mentoring and Induction Program	1,500
Four-year-old Preschool State Aid	37,412
Professional Development for Model Core Curriculum	59,577
Professional Development	136,553
Teacher Leadership Grant	50,576
Total	<u>\$ 340,707</u>

Note 13. Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Net investment in</u>	<u>Management</u>	<u>Debt</u>	<u>Unassigned/</u>
	<u>Capital Assets</u>	<u>Levy</u>	<u>Service</u>	<u>Unrestricted</u>
Fund balance (Exhibit C)	\$ -	419,426	643,008	438,083
Capital assets, net of accumulated depreciation	20,670,080	-	-	-
Revenue bond capitalized indebtedness	(6,010,000)	-	-	-
Computer lease indebtedness	-	-	-	(122,443)
Termination benefits	-	(366,667)	-	-
Accrued interest payable	-	-	(262)	-
Income surtax	-	-	-	632,450
Internal service fund	-	-	-	378,439
Deficit unassigned student activity fund	-	-	-	(17,038)
Pension related deferred outflows	-	-	-	1,505,462
Pension related deferred inflows	-	-	-	(929,316)
Net pension liability	-	-	-	(7,425,289)
Net OPEB liability	-	-	-	(698,922)
Net position (Exhibit A)	<u>\$ 14,660,080</u>	<u>52,759</u>	<u>642,746</u>	<u>(6,238,574)</u>

Note 14. Budget Overexpenditure

During the year ended June 30, 2016, expenditures in the other expenditures functional area exceeded the amounts budgeted.

Note 15. Construction Commitments

The District entered into a contract totaling \$92,496 for the construction of a new playground. As of June 30, 2016, costs of \$51,948 had been incurred against the contract. The balance of \$40,548 remaining at June 30, 2016 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

ATLANTIC COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2016

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,965,699	389,916	9,355,615	9,356,667	9,356,667	(1,052)
State sources	10,972,258	6,659	10,978,917	10,830,684	10,830,684	148,233
Federal sources	653,794	507,631	1,161,425	1,095,000	1,095,000	66,425
Total revenues	20,591,751	904,206	21,495,957	21,282,351	21,282,351	213,606
Expenditures/Expenses:						
Instruction	12,387,994	-	12,387,994	12,145,000	12,650,000	262,006
Support services	4,717,340	9,936	4,727,276	5,496,500	5,496,500	769,224
Non-instructional programs	-	854,818	854,818	1,250,000	1,250,000	395,182
Other expenditures	1,625,138	-	1,625,138	1,550,791	1,550,791	(74,347)
Total expenditures/expenses	18,730,472	864,754	19,595,226	20,442,291	20,947,291	1,352,065
Excess of revenues over expenditures/expenses	1,861,279	39,452	1,900,731	840,060	335,060	1,565,671
Other financing sources, net	-	-	-	1,192,030	1,192,030	(1,192,030)
Excess of revenues and other financing sources over expenditures/expenses	1,861,279	39,452	1,900,731	2,032,090	1,527,090	373,641
Balances beginning of year	1,998,722	394,222	2,392,944	2,725,230	2,725,230	(332,286)
Balances end of year	\$ 3,860,001	433,674	4,293,675	4,757,320	4,252,320	41,355

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2016

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 \$505,000.

During the year ended June 30, 2016, expenditures in the other expenditures functional area exceeded the amounts budgeted.

ATLANTIC COMMUNITY SCHOOL DISTRICT

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

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TWO YEARS*
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	2016	2015
District's proportion of the net pension liability	0.155109%	0.164961%
District's proportionate share of the net pension liability	\$ 7,663	6,542
District's covered-employee payroll	\$ 10,626	10,795
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.12%	60.60%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 965	949	964	865	758	621	604	588	504	449
Contributions in relation to the statutorily required contribution	\$ (965)	(949)	(964)	(865)	(758)	(621)	(604)	(588)	(504)	(449)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 10,808	10,626	10,795	9,977	9,393	8,935	8,691	9,260	8,331	7,809
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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.

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.
- 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 the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
2016	July 1, 2014	-	870	870	0.00%	10,352	8.4%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION - CASH BASIS
 COMPONENT UNIT
 DECEMBER 31, 2015

		Atlantic Community School Foundation
ASSETS		
Cash and pooled investments	\$	3,155,011
Capital assets, net of accumulated depreciation		31,950
Total assets		3,186,961
LIABILITIES		
		-
NET POSITION		
Net investment in capital assets		31,950
Support of instructional programs		3,155,011
TOTAL NET POSITION	\$	3,186,961

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CASH BASIS
 COMPONENT UNIT
 YEAR ENDED DECEMBER 31, 2015

		Atlantic Community School Foundation
Revenues:		
Contributions	\$	24,441
Interest		70,417
Other general revenues		1,266
Total revenues		96,124
Expenses:		
Grants to organizations		104,380
Grants to individuals		66,100
Accounting services		450
Real estate taxes		89
Total expenses		171,019
Change in net position		(74,895)
Net position beginning of year		3,261,856
Net position end of year	\$	3,186,961

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



SUPPLEMENTARY INFORMATION

ATLANTIC COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 419,669	156,814	576,483	1,112,023	1,688,506
Receivables:					
Property tax:					
Delinquent	1,046	-	1,046	-	1,046
Succeeding year	480,923	-	480,923	-	480,923
Accounts	-	1,113	1,113	-	1,113
Due from other governments	19	-	19	-	19
TOTAL ASSETS	\$ 901,657	157,927	1,059,584	1,112,023	2,171,607
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,308	15,537	16,845	469,015	485,860
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	480,923	-	480,923	-	480,923
Fund balances:					
Restricted for:					
Management levy purposes	419,426	-	419,426	-	419,426
Student activities	-	159,428	159,428	-	159,428
Debt service	-	-	-	643,008	643,008
Unassigned for student activities	-	(17,038)	(17,038)	-	(17,038)
Total fund balances	419,426	142,390	561,816	643,008	1,204,824
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 901,657	157,927	1,059,584	1,112,023	2,171,607

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, 2016

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 249,927	-	249,927	-	249,927
Other	25,584	241,331	266,915	350	267,265
State sources	5,539	-	5,539	-	5,539
Total revenues	281,050	241,331	522,381	350	522,731
EXPENDITURES:					
Current:					
Instruction:					
Regular	203,655	-	203,655	-	203,655
Other	-	275,436	275,436	-	275,436
Support services:					
Administration	27,735	-	27,735	2,000	29,735
Operation and maintenance of plant	65,707	-	65,707	-	65,707
Transportation	18,627	-	18,627	-	18,627
Long-term Debt:					
Principal	-	-	-	480,396	480,396
Interest and fiscal charges	-	-	-	222,159	222,159
Total expenditures	315,724	275,436	591,160	704,555	1,295,715
Deficiency of revenues under expenditures	(34,674)	(34,105)	(68,779)	(704,205)	(772,984)
Other financing sources:					
Transfer in	-	-	-	702,514	702,514
Change in fund balances	(34,674)	(34,105)	(68,779)	(1,691)	(70,470)
Fund balances beginning of year	454,100	176,495	630,595	644,699	1,275,294
Fund balances end of year	\$ 419,426	142,390	561,816	643,008	1,204,824

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 868,215	883,774	1,751,989
Receivables:			
Property tax:			
Delinquent	-	2,110	2,110
Succeeding year	-	527,074	527,074
Due from other governments	228,076	38	228,114
TOTAL ASSETS	\$ 1,096,291	1,412,996	2,509,287
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 92,086	13,740	105,826
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	527,074	527,074
Fund balances:			
Restricted for:			
School infrastructure	1,004,205	-	1,004,205
Physical plant and equipment	-	872,182	872,182
Total fund balances	1,004,205	872,182	1,876,387
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,096,291	1,412,996	2,509,287

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	812,709	812,709
Other	175	178	353
State sources	1,388,285	11,407	1,399,692
Total revenues	<u>1,388,460</u>	<u>824,294</u>	<u>2,212,754</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	1,367	1,367
Support services:			
Instructional staff	115,403	-	115,403
Operation and maintenance of plant	17,280	192,550	209,830
Transportation	1,602	-	1,602
Capital outlay	288,506	22,348	310,854
Total expenditures	<u>422,791</u>	<u>216,265</u>	<u>639,056</u>
Excess of revenues over expenditures	965,669	608,029	1,573,698
Other financing uses:			
Transfer out	(702,514)	-	(702,514)
Change in fund balances	263,155	608,029	871,184
Fund balances beginning of year	<u>741,050</u>	<u>264,153</u>	<u>1,005,203</u>
Fund balances end of year	<u>\$ 1,004,205</u>	<u>872,182</u>	<u>1,876,387</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, 2016

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ 1,454	6,799	2,866	-	5,387
Vocal Music	19,379	16,492	19,662	-	16,209
High School Band	14,738	10,772	5,905	-	19,605
Musical	1,654	3,452	1,507	-	3,599
Basketball	17,215	17,827	19,794	-	15,248
Football	20,687	17,194	17,708	-	20,173
Baseball	4,264	14,715	24,567	-	(5,588)
Track	4,006	16,060	20,657	-	(591)
Tennis	2,620	900	-	-	3,520
Golf	2,260	4,160	5,535	-	885
Wrestling	191	7,951	12,911	-	(4,769)
High School Volleyball	4,799	5,192	7,436	-	2,555
National Honor Society	2,163	89	734	-	1,518
Student Council	2,860	1,800	1,931	-	2,729
FFA	5,112	33,663	32,509	-	6,266
Pep Club	-	4,314	2,368	500	2,446
MS Activities	17,778	2,233	1,717	-	18,294
Yearbook	14,688	22,321	25,306	-	11,703
Spanish Club	4,691	6,674	11,365	-	-
Cheerleaders	11,448	2,671	2,704	-	11,415
Pride	1,325	-	-	-	1,325
Jr Class Prom	4,280	4,411	3,898	-	4,793
General Activity	7,125	27,041	39,756	(500)	(6,090)
Camp Courageous	1,747	-	-	-	1,747
Atlantic Athletic Foundation	10,011	14,600	14,600	-	10,011
Total	\$ 176,495	241,331	275,436	-	142,390

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
YEAR ENDED JUNE 30, 2016

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ -	770	551	219
LIABILITIES				
Due to other groups	\$ -	770	551	219

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,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local sources:										
Local tax	\$ 7,417,266	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
Tuition	942,459	762,645	799,448	875,803	839,800	1,050,609	1,144,334	1,136,351	1,034,146	1,013,833
Other	605,974	485,694	714,369	725,951	813,068	854,453	654,946	617,852	914,129	644,158
State sources	10,972,258	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
Federal sources	653,794	605,772	592,563	667,549	585,572	983,670	1,539,835	743,984	441,246	403,571
Total	\$ 20,591,751	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
Expenditures:										
Instruction:										
Regular	\$ 7,491,607	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
Special	2,725,569	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
Other	2,170,818	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
Support services:										
Student	488,069	472,033	533,793	505,204	348,426	417,724	458,038	426,546	380,348	375,303
Instructional staff	640,145	650,647	1,407,538	785,184	874,448	630,764	608,228	594,531	706,069	597,916
Administration	1,590,295	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
Operation and maintenance										
of plant	1,500,605	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
Transportation	498,226	590,681	802,657	741,014	543,840	598,783	579,645	712,917	531,663	521,875
Non-instructional programs	-	-	3,817	3,893	371	11,423	12,246	12,644	12,398	10,133
Capital outlay	310,854	111,805	793,722	2,779,249	4,881,579	2,116,793	2,464,044	2,095,735	108,805	379,086
Long-term debt:										
Principal	480,396	473,384	496,363	739,387	1,039,236	742,666	681,151	615,000	595,000	565,000
Interest and other charges	222,159	229,496	230,540	239,586	231,491	24,255	117,218	130,573	155,116	178,422
Other expenditures:										
AEA flow-through	611,729	595,155	568,211	541,501	525,725	581,707	569,666	518,992	476,641	456,669
Total	\$ 18,730,472	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ATLANTIC COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2016

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 16	\$ 79,348
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 16	401,315 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 16	26,968
			<u>507,631</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6102-G	<u>330,360</u>
SPECIAL EDUCATION - STATE PERSONNEL DEVELOPMENT	84.323	FY 16	<u>9,992</u>
RURAL EDUCATION	84.358	FY 16	<u>28,965</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 16	<u>55,849</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 16	<u>5,996</u>
GREEN HILLS AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 16	<u>72,532</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 16	<u>14,908</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
DEVELOPMENTAL DISABILITIES PROJECTS OF NATIONAL SIGNIFICANCE (MODEL EMPLOYMENT TRANSITION)	93.631	FY 16	<u>2,326</u>
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTATNT HEALTH PROBLEMS (AIDS EDUCATION)	93.938	FY 16	<u>447</u>
TOTAL			<u>\$ 1,029,006</u>

* Includes \$50,301 of non-cash awards.

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards(Schedule) includes the federal award activity of Atlantic Community School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Atlantic Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Atlantic Community School District.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Atlantic Community School District did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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 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, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 30, 2017.

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, 2016 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.

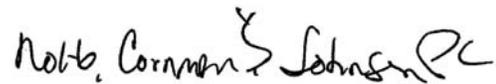
Atlantic Community School District's Responses to Findings

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 30, 2017
Newton, Iowa

NOLTE, CORNMAN & JOHNSON, P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

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) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations and the terms and conditions of its federal awards 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 the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Atlantic Community School District's internal control over compliance.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

January 30, 2017
Newton, Iowa

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

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 no findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies**
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Atlantic Community School District did qualify as a low-risk auditee.

ATLANTIC COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over financial reporting were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-16 Certified Budget - District expenditures for the year ended June 30, 2016 exceeded the amended certified budget amounts in the other expenditures functional area.

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

Response - The District will more closely monitor its expenditures to ensure amending the budget when necessary.

Conclusion - Response accepted

IV-B-16 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-16 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-16 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
DeeAnn Schreiner, Food Service Director Spouse is manager for Reinhart Food Service	Food/Supplies	\$91,129
Jenny Williams, Board Member Parents own Lindeman Tractor Co	Services/Supplies	\$354

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.

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with the parents of a board member do not appear to create a conflict of interest.

- IV-E-16 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-16 Board Minutes** - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-16 Certified Enrollment** - No variances regarding the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-16 Supplementary Weighting** - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-16 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-16 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-16 Categorical Funding** - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-16 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, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 741,050
Revenues:		
Statewide sales, services and use tax	\$ 1,388,285	
Other local revenues	175	1,388,460
		<u>2,129,510</u>
Expenditures/transfer out:		
School infrastructure construction	\$ 288,506	
Equipment	45,610	
Other	88,675	
Transfer to another fund:		
Debt service	702,514	1,125,305
		<u>1,125,305</u>
Ending Balance		<u>\$ 1,004,205</u>

For the year ended June 30, 2016, 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-16 Financial Condition - We noted during our audit that the District had four deficit accounts within the Student Activity Fund with a combined deficit unassigned fund balance of \$17,038 at June 30, 2016.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits. The District may also wish to review controls in place for the Student Activity Fund. Additional controls for purchase approval may be needed.

Response - The District is exploring combining all individual activity accounts into one activity account to better monitor the fund.

Conclusion - Response accepted.

IV-N-16 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).

Fair Premiums: We noted during our audit the FFA account in the Student Activity Fund was writing checks to individual students for money received from participation in the county fair.

Recommendation - According to Chapter 9 of the Uniform Administrative Procedures handbook, "It is never appropriate for a school district to give cash to student members of activity groups." Student Activity Funds are considered "public funds" and would appear inappropriate to be given to individual students. The District should request the fair board to write the checks directly to the students.

Response - Fair premiums will no longer be disbursed to individual students for money received for participation in the county fair.

Conclusion - Response accepted.

Fundraisers: We noted during our audit that the District was recording money for scholarships into the Student Council account within the Student Activity Fund. This was then subsequently moved to the Private Purpose Trust: Scholarship Fund. When money is fundraised, it should be raised for a specific purpose and receipted into the fund that can legally make the purchase.

Recommendation - The District should review its procedures to ensure that moneys are properly receipted from fundraisers. Money raised for scholarships as part of a District fundraiser should be identified and receipted and expensed from the Private Purpose Trust Fund.

Response - The fundraising by the student council activity will be limited to allowable expenditures from that fund.

Conclusion - Response accepted.

IV-O-16 Officiating Contracts - We noted during our audit that the Board President was not signing Activity Fund officiating contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District needs to have the Board president sign all contracts, including athletic officials, the District enters into to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District will have all officiating contracts signed by the appropriate signers.

Conclusion - Response accepted.

IV-P-16 Contracting Procedures - We noted during our audit checks for athletic officials were being written without a valid contract and prior to the service being provided. The checks were then held by the athletic director for an extended period of time until the services are performed. This presents several potential problems:

Authorized payments - This situation creates a situation where payments could be made prior to services being performed. Potentially releasing a check to an official when the service is not performed does not allow the Board of Directors to audit and allow purchases made or services incurred by the District in accordance with Chapter 279.29 of the Code of Iowa.

Recommendation - The District should review its procedures to ensure that the Board of Directors is able to audit and allow all purchases by the District.

Response - Vendors, including officials, will be paid via direct deposit. This will ensure that services are performed before payment is released.

Conclusion - Response accepted.

Bank reconciliations - Writing checks in advance creates additional problems for District office staff in reconciling cash accounts. Additionally if checks are not voided when the District becomes aware of a change in official it makes it more difficult to establish the true cash balance of the District at any point in time.

Recommendation - The District should review its procedures to simplify book keeping and budgeting procedures. Better control would be to pay officials as part of the District's regular billing cycle after services have been performed and payment approved by the board.

Response - Vendors, including officials, will be paid via direct deposit. This will ensure that services are performed before payment is released.

Conclusion - Response accepted.