

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

JUNE 30, 2010

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Chariton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Board of Education (Before September 2009 Election)		
Dave Rich	President	2009
Sheila Laing	Vice-President	2009
Dr. Craig Scott	Board Member	2011
Duane Steenhoek	Board Member	2011
Dave McGlothlen	Board Member	2011

Board of Education (After September 2009 Election)		
Dave Rich	President	2013
Sheila Laing	Vice-President	2013
Dr. Craig Scott	Board Member	2011
Duane Steenhoek	Board Member	2011
Dave McGlothlen	Board Member	2011

School Officials		
Paula Wright	Superintendent	2010
Kelley Reece	Board Secretary/ Business Manager	2010
Michael Carpenter, Webber, Gaumer, & Emanuel, P.C.	Attorney	2010

CHARITON
COMMUNITY SCHOOLS

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Chariton Community School District, Chariton, Iowa as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

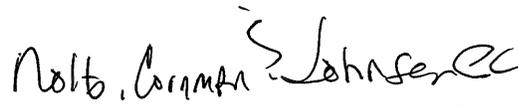
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Chariton Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2011 on our consideration of the Chariton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding in Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 are not required parts of the basic financial statements, but are supplementary

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chariton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the lack of capital assets. Other supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Chariton 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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$13,634,342 in fiscal 2009 to \$13,391,283 in fiscal 2010, while General Fund expenditures decreased from \$13,166,488 in fiscal 2009 to \$13,151,379 in fiscal 2010. This resulted in an increase in the District's General Fund balance from \$1,388,381 in fiscal 2009 to a balance of \$1,628,285 in fiscal 2010, a 17.28% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state sources during fiscal 2010. The decrease in expenditures was due primarily to a decrease in the support services function expense category, during fiscal 2010.

USING THIS ANNUAL REPORT

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details 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.

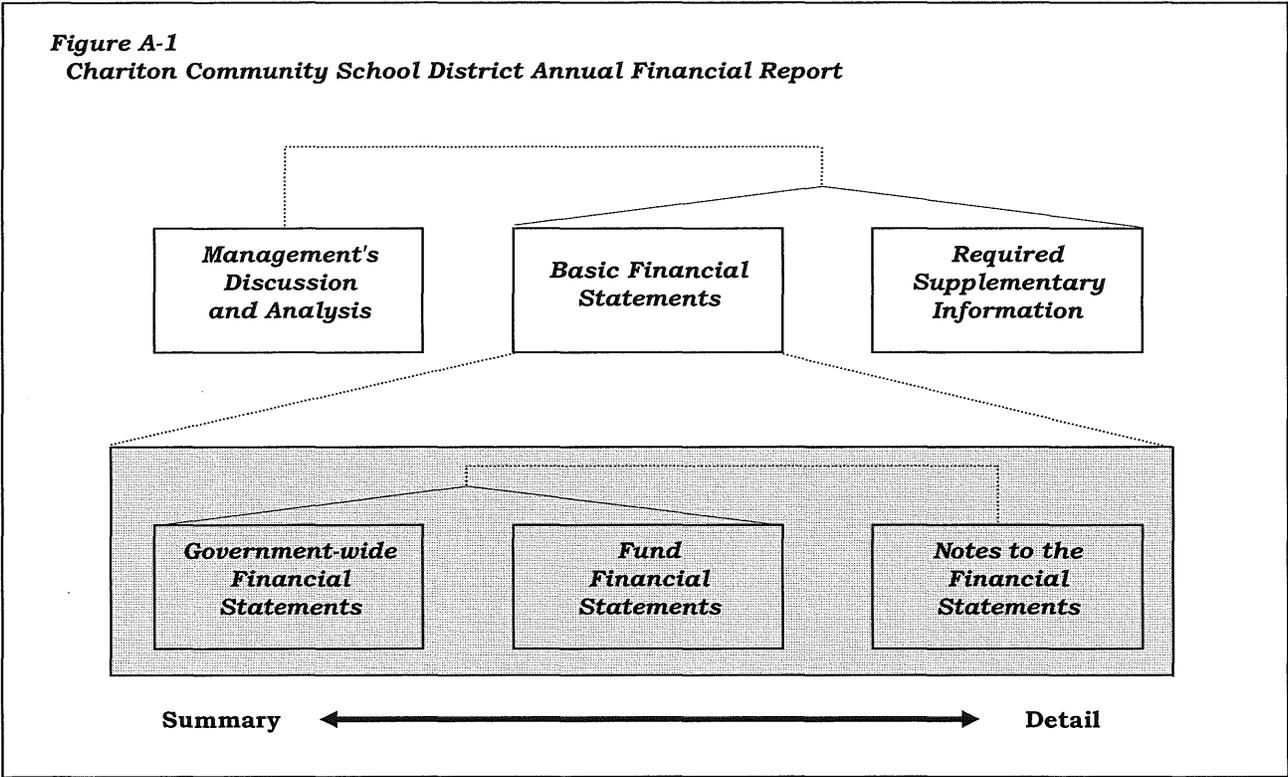


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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: food services and adult education	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 assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, the Special Revenue Funds, the Capital Projects Fund and the Debt Service 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 Funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one Internal Service Fund for the handling of the District's self funded insurance.

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

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

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

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

	Figure A-3 Condensed Statement of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 21,732,254	13,764,666	32,600	(52,792)	21,764,854	13,711,874	58.73%
Capital assets	8,669,300	7,969,750	30,909	35,819	8,700,209	8,005,569	8.68%
Total assets	30,401,554	21,734,416	63,509	(16,973)	30,465,063	21,717,443	40.28%
Long-term liabilities	11,434,583	667,638	1,631	0	11,436,214	667,638	1612.94%
Other liabilities	5,811,452	8,382,404	6,672	20,742	5,818,124	8,403,146	-30.76%
Total liabilities	17,246,035	9,050,042	8,303	20,742	17,254,338	9,070,784	90.22%
Net assets:							
Invested in capital assets, net of related debt	7,460,366	7,309,750	30,909	35,819	7,491,275	7,345,569	1.98%
Restricted	4,245,539	3,838,300	0	0	4,245,539	3,838,300	10.61%
Unrestricted	1,449,614	1,536,324	24,297	(73,534)	1,473,911	1,462,790	0.76%
Total net assets	\$ 13,155,519	12,684,374	55,206	(37,715)	13,210,725	12,646,659	4.46%

The District's combined net assets increased by 4.46 % or \$564,066 from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$407,239 or 10.61% from the prior year. The increase was primarily a result of the improving fund balance in the Debt Service fund.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$11,121 or 0.76%. This increase was primarily a result of the increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 756,141	699,044	206,403	197,243	962,544	896,287	7.39%
Operating grants and contributions and restricted interest	2,999,544	2,403,796	395,400	358,563	3,394,944	2,762,359	22.90%
General revenues:							
Property tax	3,652,189	3,547,985	0	0	3,652,189	3,547,985	2.94%
Income surtax	410,639	475,087	0	0	410,639	475,087	-13.57%
Statewide sales, services and use tax	862,102	909,847	0	0	862,102	909,847	-5.25%
Unrestricted state grants	6,274,983	7,569,432	0	0	6,274,983	7,569,432	-17.10%
Unrestricted investment earnings	55,538	146,570	89	153	55,627	146,723	-62.09%
Other	76,246	74,450	828	0	77,074	74,450	3.52%
Total revenues	<u>15,087,382</u>	<u>15,826,211</u>	<u>602,720</u>	<u>555,959</u>	<u>15,690,102</u>	<u>16,382,170</u>	<u>-4.22%</u>
Program expenses:							
Governmental activities:							
Instruction	9,828,041	9,197,356	0	0	9,828,041	9,197,356	6.86%
Support services	3,792,486	4,141,546	1,941	347	3,794,427	4,141,893	-8.39%
Non-instructional programs	2,693	4,364	507,858	532,122	510,551	536,486	-4.83%
Other expenses	993,017	839,162	0	0	993,017	839,162	18.33%
Total expenses	<u>14,616,237</u>	<u>14,182,428</u>	<u>509,799</u>	<u>532,469</u>	<u>15,126,036</u>	<u>14,714,897</u>	<u>2.79%</u>
Change in net assets before extraordinary items	471,145	1,643,783	92,921	23,490	564,066	1,667,273	-66.17%
Extraordinary items:							
Reorganization settlement	0	143,328	0	10,106	0	153,434	100.00%
Change in net assets	471,145	1,787,111	92,921	33,596	564,066	1,820,707	-69.02%
Beginning net assets	<u>12,684,374</u>	<u>10,897,263</u>	<u>(37,715)</u>	<u>(71,311)</u>	<u>12,646,659</u>	<u>10,825,952</u>	<u>16.82%</u>
Ending net assets	<u>\$ 13,155,519</u>	<u>12,684,374</u>	<u>55,206</u>	<u>(37,715)</u>	<u>13,210,725</u>	<u>12,646,659</u>	<u>4.46%</u>

In fiscal 2010, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 74.23% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.85% of the revenue from business type activities.

The District's total revenues were approximately \$15.69 million, of which approximately \$15.09 million was for governmental activities and approximately \$0.60 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.22% decrease in revenues and a 2.79% increase in expenses. Charges for services and operating grants, contributions and restricted interest increased \$652,845 to fund increases in expenditures.

Governmental Activities

Revenues for governmental activities were \$15,087,382 and expenses were \$14,616,237 for the year ended June 30, 2010.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2010 compared to the year ended June 30, 2009.

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 9,828,041	9,197,356	6.86%	6,681,320	6,656,047	0.38%
Support services	3,792,486	4,141,546	-8.43%	3,787,362	4,141,546	-8.55%
Non-instructional	2,693	4,364	-38.29%	2,693	4,364	-38.29%
Other expenses	993,017	839,162	18.33%	389,177	277,631	40.18%
Totals	\$ 14,616,237	14,182,428	3.06%	10,860,552	11,079,588	-1.98%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$756,141.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,999,544.
- The net cost of governmental activities was financed with \$3,652,189 in property taxes, \$410,639 in income surtax, \$862,102 in statewide sales, services and use tax, \$6,274,983 in unrestricted state grants, \$55,538 of interest income and \$76,246 of other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$602,720 and expenses were \$509,799. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Chariton 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 balance of \$15,653,789, above last year's ending fund balance of a \$5,012,546.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Increased funding from federal sources helped to offset the cuts in state sources of revenue during the year. Also contributing to General Fund revenues was a legislatively enabled transfer

from the Capital Projects Fund related to resources received as a part of the Russell Community School District dissolution. The District was able to limit expenditures as well, ensuring that revenues still outpaced expenditures resulting in a \$239,904 increase in fund balance.

- The Capital Projects Fund balance increased from \$2,375,605 in fiscal year 2009 to \$11,481,789 in fiscal year 2010, due primarily to \$11,330,000 of revenue bonds issued by the District during the year ended June 30, 2010.
- The Debt Service Fund balance increased during the year due to establishing debt reserve and sinking accounts associated with the repayment of the new revenue bonds.. The District continued to not levy for debt service to lessen the burden on taxpayers of the District. The fund balance increased from \$11,808 to \$1,073,059.
- The Physical Plant and Equipment Levy Fund balance increased from \$805,039 in 2009 to \$986,096 in 2010.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from a deficit \$37,715 at June 30, 2009 to \$55,206 at June 30, 2010, representing an increase of 246.38%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$1,217,649 less than budgeted receipts, a variance of 7.21%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested approximately \$8.70 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 8.68% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$522,940.

The original cost of the District's capital assets was \$19,103,273. Governmental funds account for \$18,949,625 with the remainder of \$153,648 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 is related to the high school renovation project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 514,007	408,772	0	0	514,007	408,772	25.74%
Construction in progress	568,361	0	0	0	568,361	0	100.00%
Land improvements	269,691	278,835	0	0	269,691	278,835	-3.28%
Buildings and improvements	6,526,039	6,615,515	0	0	6,526,039	6,615,515	-1.35%
Machinery and equipment	791,202	666,628	30,909	35,819	822,111	702,447	17.04%
Total	<u>\$ 8,669,300</u>	<u>7,969,750</u>	<u>30,909</u>	<u>35,819</u>	<u>8,700,209</u>	<u>8,005,569</u>	<u>8.68%</u>

Long-Term Debt

At June 30, 2010, the District had \$11,436,214 in total long-term debt outstanding. This represents an increase of 1612.94% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District issued revenue bonds during the year for costs associated with various construction projects including the high school renovation project. At June 30, 2010, the District had total outstanding revenue bonds payable from the Capital Projects Fund of \$11,330,000.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$45,214 at June 30, 2010.

During its initial year of recording net OPEB liability in accordance with GASB Statement No. 45, the District disclosed a balance of \$61,000 at June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
General obligation bonds	\$ 0	660,000	-100.00%
Revenue bonds	11,330,000	0	100.00%
Early retirement	45,214	7,638	491.96%
Net OPEB liability	61,000	0	100.00%
Totals	<u>\$ 11,436,214</u>	<u>667,638</u>	<u>1612.94%</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The upcoming Iowa legislative session could again prove to be most challenging in respect to the state budget. The impact of state reductions to education is an unknown that we must be ready to address and compensate.
- With the District's current financial challenges, the FY 2010 state budget cut of 10% resulted in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will continue to explore all opportunities to reduce expenditures and/or increase revenues.

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 Kelley Reece, Board Secretary/Business Manager, Chariton Community School District, 140 E. Albia Road, P.O. Box 738, Chariton, Iowa, 50049-0738.

BASIC FINANCIAL STATEMENTS

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,735,661	123,385	16,859,046
Receivables:			
Property tax:			
Delinquent	54,129	0	54,129
Succeeding year	3,876,732	0	3,876,732
Income surtax	390,656	0	390,656
Interfund	100,000	(100,000)	0
Accounts	20,443	864	21,307
Due from other governments	554,633	0	554,633
Inventories	0	8,351	8,351
Capital assets, net of accumulated depreciation	8,669,300	30,909	8,700,209
TOTAL ASSETS	30,401,554	63,509	30,465,063
LIABILITIES			
Accounts payable	198,263	0	198,263
Salaries and benefits payable	1,326,786	29	1,326,815
Retainage payable	5,288	0	5,288
Accrued interest payable	126,417	0	126,417
Deferred revenue:			
Succeeding year property tax	3,876,732	0	3,876,732
Other	277,966	0	277,966
Unearned revenues	0	6,643	6,643
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	225,000	0	225,000
Early retirement	45,214	0	45,214
Portion due after one year:			
Revenue bonds	11,105,000	0	11,105,000
Net OPEB liability	59,369	1,631	61,000
TOTAL LIABILITIES	17,246,035	8,303	17,254,338
NET ASSETS			
Invested in capital assets, net of related debt	7,460,366	30,909	7,491,275
Restricted for:			
Categorical funding	386,315	0	386,315
Management levy	275,182	0	275,182
Physical plant and equipment levy	986,096	0	986,096
Capital projects	1,360,723	0	1,360,723
Debt service	1,073,059	0	1,073,059
Other special revenue purposes	164,164	0	164,164
Unrestricted	1,449,614	24,297	1,473,911
TOTAL NET ASSETS	\$ 13,155,519	55,206	13,210,725

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 5,601,781	222,229	1,738,280	(3,641,272)	0	(3,641,272)
Special	2,073,366	147,905	191,866	(1,733,595)	0	(1,733,595)
Other	2,152,894	382,383	464,058	(1,306,453)	0	(1,306,453)
	<u>9,828,041</u>	<u>752,517</u>	<u>2,394,204</u>	<u>(6,681,320)</u>	<u>0</u>	<u>(6,681,320)</u>
Support services:						
Student	152,801	0	0	(152,801)	0	(152,801)
Instructional staff	218,525	0	0	(218,525)	0	(218,525)
Administration	1,504,814	0	1,500	(1,503,314)	0	(1,503,314)
Operation and maintenance of plant	1,227,628	0	0	(1,227,628)	0	(1,227,628)
Transportation	688,718	3,624	0	(685,094)	0	(685,094)
	<u>3,792,486</u>	<u>3,624</u>	<u>1,500</u>	<u>(3,787,362)</u>	<u>0</u>	<u>(3,787,362)</u>
Non-instructional programs:						
Community service operations	2,693	0	0	(2,693)		(2,693)
Other expenditures:						
Long-term debt interest	152,332	0	0	(152,332)	0	(152,332)
AEA flowthrough	603,840	0	603,840	0	0	0
Depreciation(unallocated)*	236,845	0	0	(236,845)	0	(236,845)
	<u>993,017</u>	<u>0</u>	<u>603,840</u>	<u>(389,177)</u>	<u>0</u>	<u>(389,177)</u>
Total governmental activities	14,616,237	756,141	2,999,544	(10,860,552)	0	(10,860,552)
Business Type activities:						
Support services:						
Administration	1,941	0	0	0	(1,941)	(1,941)
Non-instructional programs:						
Food service operations	507,858	206,403	395,400	0	93,945	93,945
Total business type activities	<u>509,799</u>	<u>206,403</u>	<u>395,400</u>	<u>0</u>	<u>92,004</u>	<u>92,004</u>
Total	<u>\$ 15,126,036</u>	<u>962,544</u>	<u>3,394,944</u>	<u>(10,860,552)</u>	<u>92,004</u>	<u>(10,768,548)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,484,636	0	3,484,636
Capital outlay				167,553	0	167,553
Income surtax				410,639	0	410,639
Statewide sales, services and use tax				862,102	0	862,102
Unrestricted state grants				6,274,983	0	6,274,983
Unrestricted investment earnings				55,538	89	55,627
Other				76,246	828	77,074
Total general revenues				<u>11,331,697</u>	<u>917</u>	<u>11,332,614</u>
Changes in net assets				471,145	92,921	564,066
Net assets beginning of year				12,684,374	(37,715)	12,646,659
Net assets end of year				<u>\$ 13,155,519</u>	<u>55,206</u>	<u>13,210,725</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 3,040,046	11,153,358	2,540,377	16,733,781
Receivables:				
Property tax:				
Delinquent	47,650	0	6,479	54,129
Succeeding year	3,510,240	0	366,492	3,876,732
Income surtax	146,496	0	244,160	390,656
Interfund	100,000	0	0	100,000
Accounts	19,549	0	0	19,549
Due from other governments	220,914	333,719	0	554,633
TOTAL ASSETS	\$ 7,084,895	11,487,077	3,157,508	21,729,480
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 195,122	0	3,141	198,263
Salaries and benefits payable	1,326,786	0	0	1,326,786
Retainage payable	0	5,288	0	5,288
Deferred revenue:				
Succeeding year property tax	3,510,240	0	366,492	3,876,732
Income surtax	146,496	0	244,160	390,656
Other	277,966	0	0	277,966
Total liabilities	5,456,610	5,288	613,793	6,075,691
Fund balances:				
Reserved for:				
Categorical Funding	386,315	0	0	386,315
Debt service	0	0	1,073,059	1,073,059
Construction	0	10,121,066	0	10,121,066
Unreserved	1,241,970	1,360,723	1,470,656	4,073,349
Total fund balances	1,628,285	11,481,789	2,543,715	15,653,789
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,084,895	11,487,077	3,157,508	21,729,480

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds (page 20)	\$ 15,653,789
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,669,300
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	390,656
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	2,774
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.	(126,417)
Long-term liabilities, including revenue bonds payable, early retirement payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(11,434,583)</u>
Net assets of governmental activities (page 18)	<u>\$ 13,155,519</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,362,248	862,102	682,556	4,906,906
Tuition	337,392	0	0	337,392
Other	161,098	21,487	404,792	587,377
State sources	7,845,734	0	0	7,845,734
Federal sources	1,391,949	0	0	1,391,949
Total revenues	<u>13,098,421</u>	<u>883,589</u>	<u>1,087,348</u>	<u>15,069,358</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	5,446,365	0	77,035	5,523,400
Special	2,070,714	0	0	2,070,714
Other	1,747,879	0	391,888	2,139,767
	<u>9,264,958</u>	<u>0</u>	<u>468,923</u>	<u>9,733,881</u>
Support services:				
Student	151,018	0	0	151,018
Instructional staff	320,031	11,170	0	331,201
Administration	1,280,325	501,072	0	1,781,397
Operation and maintenance of plant	1,041,014	15,138	182,898	1,239,050
Transportation	487,500	0	209,697	697,197
	<u>3,279,888</u>	<u>527,380</u>	<u>392,595</u>	<u>4,199,863</u>
Non-instructional programs				
Community service operations	2,693	0	0	2,693
Other expenditures:				
Facilities acquisitions	0	414,977	0	414,977
Long-term debt:				
Principal	0	0	660,000	660,000
Interest and fiscal charges	0	0	31,197	31,197
AEA flowthrough	603,840	0	0	603,840
	<u>603,840</u>	<u>414,977</u>	<u>691,197</u>	<u>1,710,014</u>
Total expenditures	<u>13,151,379</u>	<u>942,357</u>	<u>1,552,715</u>	<u>15,646,451</u>
Excess(deficiency)of revenues over(under)expenditures	(52,958)	(58,768)	(465,367)	(577,093)
Other financing sources(uses):				
Sale of land	0	0	8,080	8,080
Transfer in	292,862	10,317,822	1,752,442	12,363,126
Transfer out	0	(12,363,126)	0	(12,363,126)
Issuance of revenue bonds	0	11,330,000	0	11,330,000
Issuance costs	0	(34,603)	0	(34,603)
Premium on bonds	0	73,715	0	73,715
Discount on issuance of bonds	0	(158,856)	0	(158,856)
Total other financing sources(uses)	<u>292,862</u>	<u>9,164,952</u>	<u>1,760,522</u>	<u>11,218,336</u>
Net changes in fund balances	239,904	9,106,184	1,295,155	10,641,243
Fund balance beginning of year	<u>1,388,381</u>	<u>2,375,605</u>	<u>1,248,560</u>	<u>5,012,546</u>
Fund balance end of year	<u>\$ 1,628,285</u>	<u>11,481,789</u>	<u>2,543,715</u>	<u>15,653,789</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON 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, 2010

Net change in fund balances - total governmental funds (page 22) \$ 10,641,243

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

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

Capital outlays	\$ 1,213,865	
Depreciation expense	(514,315)	699,550

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued	(11,330,000)	
Repaid	660,000	(10,670,000)

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.

(121,135)

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

408

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

18,024

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(37,576)	
Other postemployment benefits	(59,369)	(96,945)

Changes in net assets of governmental activities (page 19) \$ 471,145

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
ASSETS		
Cash and cash equivalents	\$ 123,385	1,880
Accounts receivable	864	894
Inventories	8,351	0
Capital assets, net of accumulated depreciation	30,909	0
Total assets	163,509	2,774
LIABILITIES		
Salaries and benefits payable	29	0
Interfund payable	100,000	0
Unearned revenue	6,643	0
Net OPEB liability	1,631	0
Total liabilities	108,303	0
NET ASSETS		
Invested in capital assets	30,909	0
Unrestricted	24,297	2,774
Total net assets	\$ 55,206	2,774

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
OPERATING REVENUES:		
Local sources:		
Charges for services	\$ 206,403	408
Miscellaneous	828	0
TOTAL OPERATING REVENUES	<u>207,231</u>	<u>408</u>
OPERATING EXPENSES:		
Support services:		
Administration:		
Supplies	1,941	0
Non-instructional programs:		
Food service operations:		
Salaries	163,732	0
Benefits	69,365	0
Services	3,314	0
Supplies	262,822	0
Depreciation	8,625	0
TOTAL OPERATING EXPENSES	<u>509,799</u>	<u>0</u>
OPERATING INCOME (LOSS)	<u>(302,568)</u>	<u>408</u>
NON-OPERATING REVENUES:		
State sources	6,334	0
Federal sources	389,066	0
Interest income	89	0
TOTAL NON-OPERATING REVENUES	<u>395,489</u>	<u>0</u>
Change in net assets	92,921	408
Net assets beginning of year	<u>(37,715)</u>	<u>2,366</u>
Net assets end of year	<u>\$ 55,206</u>	<u>2,774</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 202,169	0
Cash received from miscellaneous operating activities	828	(486)
Cash payments to employees for services	(231,437)	0
Cash payments to suppliers for goods or services	(288,974)	0
Net cash used in operating activities	(317,414)	(486)
Cash flows from non-capital financing activities:		
State grants received	6,334	0
Federal grants received	363,746	0
Net cash provided by non-capital financing activities	370,080	0
Cash flows from investing activities:		
Interest on investments	89	0
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(3,715)	0
Net increase(decrease) in cash and cash equivalents	49,040	(486)
Cash and cash equivalents at beginning of year	74,345	2,366
Cash and cash equivalents at end of year	\$ 123,385	1,880
Reconciliation of operating income(loss) to net cash used in operating activities:		
Operating income(loss)	\$ (302,568)	408
Adjustments to reconcile operating income(loss) to net cash used in operating activities:		
Commodities consumed	25,320	0
Depreciation	8,625	0
Decrease in inventories	1,875	0
Decrease(Increase) in accounts receivable	8,725	(894)
Decrease in accounts payable	(48,092)	0
Increase in salaries and benefits payable	29	0
Decrease in unearned revenue	(12,959)	0
Increase in net OPEB liability	1,631	0
Net cash used in operating activities	\$ (317,414)	(486)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received \$25,320 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2010

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
ASSETS		
Cash and pooled investments	\$	13,073
LIABILITIES		<u>0</u>
NET ASSETS		
Reserved for scholarships	\$	<u>13,073</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2010

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 14,084
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	9,000
Change in net assets	5,084
Net assets beginning of year	7,989
Net assets end of year	<u>\$ 13,073</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) Summary of Significant Accounting Policies

Chariton 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. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Chariton, Iowa, and the predominate agricultural territory in Lucas and Marion 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, Chariton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Chariton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following nonmajor proprietary fund:

The District's proprietary fund are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds are as follows:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

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

Asset Class	Amount
Land	\$ 1,500
Buildings and improvements	1,500
Land improvements	1,500
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

Asset Class	Estimated Useful Life (In Years)
Buildings and improvements	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected in the Statement of Net Assets 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 Assets.

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

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

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$4,173,394 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise, School Nutrition	\$ 100,000

The Enterprise, School Nutrition Fund is repaying the General Fund for salaries and benefits incurred during the year. The balance will be repaid by June 30, 2011.

(4) Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects, Sales Tax	\$ 679,383
Debt Sinking	Capital Projects, Sales Tax	1,073,059
Capital Projects, Construction	Capital Projects, Sales Tax	10,317,822
General	Capital Projects, Sales Tax	292,862
Total		<u>\$ 12,363,126</u>

Transfers generally move revenues from the fund statutorily required to collect resources to the fund statutorily required to expend the resources.

The Capital Projects, Sales Tax Fund transferred monies to the Debt Service Fund for the payment of principal and interest on general obligation bonds.

The Capital Projects, Sales Tax Fund transferred monies to the Debt Sinking Fund to establish the reserve and make the first two payments associated with the new revenue bonds.

The Capital Projects, Sales Tax Fund transferred the net proceeds from the new revenue bonds to the Capital Projects, Construction Fund.

On April 12, 2010, the Board of Directors of the Chariton Community School District adopted a resolution for the liquidation of deficit balance in the General Fund caused by the closing of the Russell Community School District, in agreement with Senate File 2289 signed by the Governor on March 19, 2010.

The Capital Projects Fund transferred monies to the General Fund to finance the deficit balance caused by the closing of the Russell Community School District.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing

of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10A	6/25/09	6/23/10	\$ 0	1,000,000	1,000,000	0

During the year ended June 30, 2010, the District paid \$68,695 of interest on the ISCAP warrants.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 408,772	105,235	0	514,007
Construction in progress	0	568,361	0	568,361
Total capital assets not being depreciated	408,772	673,596	0	1,082,368
Capital assets being depreciated:				
Land improvements	1,256,668	12,867	0	1,269,535
Buildings and improvements	11,729,150	125,358	0	11,854,508
Machinery and equipment	4,466,330	402,044	125,160	4,743,214
Total capital assets being depreciated	17,452,148	540,269	125,160	17,867,257
Less accumulated depreciation for:				
Land improvements	977,833	22,011	0	999,844
Buildings and improvements	5,113,635	214,834	0	5,328,469
Machinery and equipment	3,799,702	277,470	125,160	3,952,012
Total accumulated depreciation	9,891,170	514,315	125,160	10,280,325
Total capital assets being depreciated, net	7,560,978	25,954	0	7,586,932
Governmental activities capital assets, net	\$ 7,969,750	699,550	0	8,669,300

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 149,933	3,715	0	153,648
Less accumulated depreciation	114,114	8,625	0	122,739
Business type activities capital assets, net	\$ 35,819	(4,910)	0	30,909

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 4,825
Other		19,200
Support services:		
Student		1,169
Instructional staff		29,972
Administration		793
Operation and maintenance of plant		16,216
Transportation		205,295
		<u>277,470</u>
Unallocated depreciation		<u>236,845</u>
Total governmental activities depreciation expense		<u>\$ 514,315</u>
Business type activities:		
Food services		<u>\$ 8,625</u>

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 660,000	0	660,000	0	0
Revenue Bonds	0	11,330,000	0	11,330,000	225,000
Early Retirement	7,638	42,158	4,582	45,214	45,214
Net OPEB Liability	0	59,369	0	59,369	0
Total	<u>\$ 667,638</u>	<u>11,372,158</u>	<u>664,582</u>	<u>11,434,583</u>	<u>270,214</u>
Business type activities:					
Net OPEB Liability	\$ 0	1,631	0	1,631	0

Revenue Bonds Payable

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated March 23, 2010				
	Interest Rates		Principal	Interest	Total
2011	3.00	% \$	225,000	359,087	584,087
2012	3.00		290,000	458,255	748,255
2013	3.00		305,000	449,555	754,555
2014	3.00		435,000	440,405	875,405
2015	3.00		435,000	427,355	862,355
2016-2020	4.00		2,490,000	1,881,325	4,371,325
2021-2025	4.000-4.350		3,135,000	1,331,525	4,466,525
2026-2030	4.375-4.750		4,015,000	579,566	4,594,566
Total			<u>\$ 11,330,000</u>	<u>5,927,073</u>	<u>17,257,073</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$11,330,000 of bonds issued in March 2010. The bonds were issued to finance the high school renovation project. 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 approximately 68% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$17,257,073. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$862,102.

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

- a) \$927,037.50 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) The District shall 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.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-six and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to \$100 per year of service with a maximum of of \$1,500 (before deductions) plus the difference between the salary schedule base and the licensed employee's current salary

(before deductions) less supplemental pay or extended contract pay. The incentive can be received as cash or the school district will provide continuing coverage under the school district's group insurance plan until the licensed employee reaches age sixty-five or when the incentive benefit runs out (whichever occurs first). If the retiree still has a balance in escrow for insurance at age sixty-five, the District shall pay the remainder balance to the retiree (net taxes). Early retirement benefits paid during the year ended June 30, 2010, totaled \$4,582.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$560,122, \$504,111 and \$443,492 respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and dental benefits for retirees and their spouses. There are 178 active and 7 retired members in the plan. Participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Mercer and dental benefits are provided by Delta Dental. Retirees under age 65 pay the same premium for the medical/dental benefit as active employees, which results in an implicit rate 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 (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, 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 the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 90,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>90,000</u>
Contributions made	<u>(29,000)</u>
Increase in net OPEB obligation	61,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 61,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$29,000 to the medical plan. Retired members eligible for the plan contributed \$353,349 or 92.42% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$90,000	32.22%	\$61,000

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$776,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$776,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,852,210 and the ratio of the UAAL to covered payroll was 9.88%. As of June 30, 2010, 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. The Schedule of Funding Progress, 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 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 the July 1, 2009 actuarial valuation date, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual health care cost trend rate starts at 11% for the year ended June 30, 2010. The trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate in 2022.

Mortality rates are from the RP-2000 Combined Mortality Rates for Male and Female, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$559 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.

(10) Risk Management

The District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: dental and long-term disability. District contributions to ISEBA for the year ended June 30, 2010 were \$101,437.

Chariton 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.

(11) 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 \$603,840 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Categorical Funding

The District's categorical funding balances for the year ended June 30, 2010 are as follows:

<u>Project</u>	<u>Amount</u>
Gifted and Talented Programs	\$ 91,503
Returning Dropouts and Dropout Prevention Programs	67,998
Four-year-old Preschool State Aid	32,922
Beginning Teacher Mentoring and Induction Program	276
Teacher Salary Supplement	74,069
Market Factor	10,233
Professional Development for Model Core Curriculum	40,009
Professional Development	62,864
Market Factor Incentives	6,441
	<hr/>
Total	\$ 386,315
	<hr/>

REQUIRED SUPPLEMENTARY INFORMATION

CHARITON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 5,831,675	207,320	6,038,995	6,487,640	6,487,640	(448,645)
State sources	7,845,734	6,334	7,852,068	9,472,087	9,472,087	(1,620,019)
Federal sources	1,391,949	389,066	1,781,015	930,000	930,000	851,015
Total revenues	15,069,358	602,720	15,672,078	16,889,727	16,889,727	(1,217,649)
Expenditures/Expenses:						
Instruction	9,733,881	0	9,733,881	10,088,293	10,088,293	354,412
Support services	4,199,863	1,941	4,201,804	6,225,000	6,225,000	2,023,196
Non-instructional programs	2,693	507,858	510,551	715,500	715,500	204,949
Other expenditures	1,710,014	0	1,710,014	2,067,651	2,067,651	357,637
Total expenditures/expenses	15,646,451	509,799	16,156,250	19,096,444	19,096,444	2,940,194
Excess(deficiency)of revenues over(under)expenditures/expenses	(577,093)	92,921	(484,172)	(2,206,717)	(2,206,717)	1,722,545
Other financing sources, net	11,218,336	0	11,218,336	0	0	11,218,336
Excess(deficiency)of revenues and other financing sources over(under) expenditures/expenses	10,641,243	92,921	10,734,164	(2,206,717)	(2,206,717)	12,940,881
Balance beginning of year	5,012,546	(37,715)	4,974,831	3,959,257	3,959,257	1,015,574
Balance end of year	\$ 15,653,789	55,206	15,708,995	1,752,540	1,752,540	13,956,455

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

CHARITON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	0	\$ 776,000	776,000	0	\$ 7,852,210	9.88%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	
ASSETS						
Cash and pooled investments	\$ 316,400	167,305	983,613	1,467,318	1,073,059	2,540,377
Receivables:						
Property tax:						
Delinquent	3,996	0	2,483	6,479	0	6,479
Succeeding year	200,001	0	166,491	366,492	0	366,492
Income surtax	0	0	244,160	244,160	0	244,160
TOTAL ASSETS	\$ 520,397	167,305	1,396,747	2,084,449	1,073,059	3,157,508
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 0	3,141	0	3,141	0	3,141
Deferred revenue:						
Succeeding year property tax	200,001	0	166,491	366,492	0	366,492
Income surtax	0	0	244,160	244,160	0	244,160
Total liabilities	200,001	3,141	410,651	613,793	0	613,793
Fund balances:						
Reserved for:						
Debt Service	0	0	0	0	1,073,059	1,073,059
Unreserved	320,396	164,164	986,096	1,470,656	0	1,470,656
Total fund balances	320,396	164,164	986,096	1,470,656	1,073,059	2,543,715
TOTAL LIABILITIES AND FUND BALANCES	\$ 520,397	167,305	1,396,747	2,084,449	1,073,059	3,157,508

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 269,619	0	412,937	682,556	0	682,556
Other	21,542	382,535	709	404,786	6	404,792
TOTAL REVENUES	291,161	382,535	413,646	1,087,342	6	1,087,348
EXPENDITURES:						
Current:						
Instruction:						
Regular	77,035	0	0	77,035	0	77,035
Other	0	391,888	0	391,888	0	391,888
Support services:						
Operation and maintenance of plant	151,926	0	30,972	182,898	0	182,898
Student transportation	0	0	209,697	209,697	0	209,697
Other expenditures:						
Long-term debt:						
Principal	0	0	0	0	660,000	660,000
Interest and fiscal charges	0	0	0	0	31,197	31,197
TOTAL EXPENDITURES	228,961	391,888	240,669	861,518	691,197	1,552,715
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	62,200	(9,353)	172,977	225,824	(691,191)	(465,367)
OTHER FINANCING SOURCES:						
Sale of land	0	0	8,080	8,080	0	8,080
Transfers in	0	0	0	0	1,752,442	1,752,442
Total other financing sources	0	0	8,080	8,080	1,752,442	1,760,522
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	62,200	(9,353)	181,057	233,904	1,061,251	1,295,155
FUND BALANCES BEGINNING OF YEAR	258,196	173,517	805,039	1,236,752	11,808	1,248,560
FUND BALANCES END OF YEAR	\$ 320,396	164,164	986,096	1,470,656	1,073,059	2,543,715

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Thespians	\$ 1,768	2,255	795	3,228
Speech	0	534	310	224
National honor society	0	1,084	790	294
Vocal Music	410	641	136	915
Band	0	3,278	2,453	825
Middle School Band	138	0	32	106
Flag Team	48	0	0	48
Co-Ed Athletics	25,297	102,754	104,565	23,486
Girls Soccer	96	0	75	21
Boys Soccer	25	901	926	0
Boys Track	190	590	180	600
Girls Track	722	805	836	691
Cross Country	838	575	766	647
Girls Tennis	56	402	458	0
Boys Tennis	6	92	72	26
Boys Basketball	0	4,492	4,492	0
Football	10,217	16,518	14,256	12,479
Baseball	620	7,500	8,120	0
Wrestling	371	1,114	1,485	0
Weight Room	1,360	0	24	1,336
Golf	(53)	350	297	0
Girls Basketball	531	1,032	1,560	3
Volleyball	2,544	5,347	3,878	4,013
Softball	0	4,368	4,368	0
Class of 2008	198	0	198	0
Class of 2009	349	547	896	0
Class of 2010	2,929	3,838	5,800	967
Class of 2011	0	18,794	15,921	2,873
Class of 2012	78	27,420	27,420	78
Class of 2013	0	175	0	175
Class of 2014	0	175	0	175
Academiathon	0	1,170	567	603
Contingency	15,700	13,979	26,359	3,320
Concessions	9,803	49,058	46,620	12,241
Student Council	3,061	9,519	7,770	4,810
Life	32	0	0	32
Spanish Club	2,626	8,140	3,321	7,445
Art Service	804	0	0	804
C Club	1,107	40	100	1,047

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 3

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
FFA	3,448	8,282	8,654	3,076
FBLA	0	6,926	5,123	1,803
SES Club	3,642	10,846	9,266	5,222
On Other Hand	551	1,131	1,284	398
Yearbook	17,229	12,103	17,619	11,713
Cap & Gown	81	1,908	1,788	201
Cheerleaders	1,268	12,592	13,860	0
MS Cheerleaders	82	0	82	0
Musical	2,481	6,114	4,388	4,207
Woods Club	2,659	500	404	2,755
Construction Club	1,748	656	1,501	903
Donations	1,400	0	0	1,400
MS Student Council	1,792	836	1,284	1,344
6th Grade	9	500	81	428
7th Grade	363	500	413	450
8th Grade	912	3,402	2,971	1,343
MS BLD Initiative	9,853	13,536	12,501	10,888
MS Yearbook Club	1,575	677	1,380	872
Columbus	22,741	10,707	11,463	21,985
Van Allen Elementary	19,812	3,832	11,980	11,664
Total	\$ 173,517	382,535	391,888	164,164

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2010

	Capital Projects Funds		
	Sales	Construction	Total
	Tax		Capital Projects Funds
ASSETS			
Cash and pooled investments	\$ 1,032,292	10,121,066	11,153,358
Due from other governments	333,719	0	333,719
TOTAL ASSETS	\$ 1,366,011	10,121,066	11,487,077
LIABILITIES AND FUND BALANCES			
Liabilities:			
Retainage payable	\$ 5,288	0	5,288
Fund balances:			
Reserved:			
Construction	0	10,121,066	10,121,066
Unreserved	1,360,723	0	1,360,723
Total fund balances	1,360,723	10,121,066	11,481,789
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,366,011	10,121,066	11,487,077

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2010

	Capital Projects Funds		
	Sales Tax	Construction	Total Capital Projects Funds
REVENUES:			
Local sources:			
Local tax	\$ 862,102	0	862,102
Other	2,259	19,228	21,487
TOTAL REVENUES	864,361	19,228	883,589
EXPENDITURES:			
Support Services:			
Instructional staff	11,170	0	11,170
Administration	501,072	0	501,072
Operation and maintenance of plant	15,138	0	15,138
Other expenditures:			
Facilities acquisitions	219,906	195,071	414,977
TOTAL EXPENDITURES	747,286	195,071	942,357
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	117,075	(175,843)	(58,768)
OTHER FINANCING SOURCES (USES):			
Transfers in	0	10,317,822	10,317,822
Transfers out	(12,363,126)	0	(12,363,126)
Issuance of revenue bonds	11,330,000	0	11,330,000
Issuance costs	(13,690)	(20,913)	(34,603)
Premium on bonds	73,715	0	73,715
Discount on issuance of bonds	(158,856)	0	(158,856)
TOTAL OTHER FINANCING SOURCES (USES)	(1,131,957)	10,296,909	9,164,952
NET CHANGE IN FUND BALANCES	(1,014,882)	10,121,066	9,106,184
FUND BALANCES BEGINNING OF YEAR	2,375,605	0	2,375,605
FUND BALANCES END OF YEAR	\$ 1,360,723	10,121,066	11,481,789

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 JUNE 30, 2010

	Debt Service Funds		
	Debt Service	Debt Sinking	Total Debt Service Funds
REVENUES:			
Local sources:			
Other	\$ 6	0	6
EXPENDITURES:			
Other expenditures:			
Long-term debt			
Principal	660,000	0	660,000
Interest and fiscal charges	31,197	0	31,197
TOTAL EXPENDITURES	691,197	0	691,197
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(691,191)	0	(691,191)
OTHER FINANCING SOURCES (USES):			
Transfers in	679,383	1,073,059	1,752,442
NET CHANGE IN FUND BALANCES	(11,808)	1,073,059	1,061,251
FUND BALANCES BEGINNING OF YEAR	11,808	0	11,808
FUND BALANCES END OF YEAR	\$ 0	1,073,059	1,073,059

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Shelton Law Scholarship	Alexander Scholarship	Orva Hibbs Scholarship	50/50 Raffle Scholarship	Jessica Luedtke Scholarship	Kandalynn Hall Scholarship	Total
Assets							
Cash and pooled investments	\$ 1,000	3,000	3,000	1,890	2,000	2,183	13,073
Total Assets	\$ 1,000	3,000	3,000	1,890	2,000	2,183	13,073
Net Assets							
Reserved for scholarships	\$ 1,000	3,000	3,000	1,890	2,000	2,183	13,073
Total Net Assets	\$ 1,000	3,000	3,000	1,890	2,000	2,183	13,073

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Circle of Life/Friends Scholarship	Shelton Law Scholarship	Alexander Scholarship	Helen Krutsinger Scholarship	Orva Hibbs Scholarship	50/50 Raffle Scholarship	Jessica Luedtke Scholarship	Kandalynn Hall Scholarship	Total
Additions:									
Local sources:									
Gifts and contributions	\$ 1,000	1,000	3,000	1,000	3,000	901	2,000	2,183	14,084
Deductions:									
Instruction:									
Regular:									
Scholarships awarded	1,000	1,000	3,000	1,000	3,000	0	0	0	9,000
Change in net assets	0	0	0	0	0	901	2,000	2,183	5,084
Net assets beginning of year	0	1,000	3,000	0	3,000	989	0	0	7,989
Net assets end of year	\$ 0	1,000	3,000	0	3,000	1,890	2,000	2,183	13,073

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 4,906,906	4,870,468	3,860,136	3,764,441	3,817,118	3,936,979	3,360,097
Tuition	337,392	275,381	724,286	611,828	640,590	439,979	362,761
Other	587,377	693,325	855,906	1,139,864	734,742	618,054	535,889
Intermediate sources	0	0	0	0	0	20,500	200
State sources	7,845,734	9,289,373	7,970,772	7,233,874	7,153,722	6,528,149	5,959,825
Federal sources	1,391,949	635,213	486,006	479,671	607,800	580,644	772,270
Total	\$ 15,069,358	15,763,760	13,897,106	13,229,678	12,953,972	12,124,305	10,991,042
Expenditures:							
Instruction:							
Regular	\$ 5,523,400	5,473,329	5,169,470	4,869,185	6,598,945	4,834,869	4,523,645
Special	2,070,714	1,904,943	1,706,515	1,498,964	672,165	1,818,441	1,798,565
Other	2,139,767	1,878,460	1,598,635	1,504,483	467,251	1,167,711	1,149,154
Support services:							
Student	151,018	138,676	228,310	246,285	237,994	164,689	123,432
Instructional staff	331,201	635,040	224,337	357,547	371,622	279,600	305,229
Administration	1,781,397	1,481,251	1,358,571	1,272,613	1,166,859	1,063,622	926,241
Operation and maintenance of plant	1,239,050	1,343,654	1,175,950	1,283,347	1,257,820	1,074,068	916,623
Transportation	697,197	741,812	643,887	566,057	443,514	506,022	371,026
Central	0	0	0	0	0	0	57,175
Other	0	0	0	0	0	176,605	121,839
Non-instructional programs	2,693	4,364	9,191	4,477	4,593	13,806	9,858
Other expenditures:							
Facilities acquisitions	414,977	48,455	95,714	43,207	8,146	102,635	403,221
Long-term debt:							
Principal	660,000	315,000	300,000	280,000	265,000	260,000	255,000
Interest and other charges	31,197	46,737	60,237	72,837	84,779	96,202	107,068
AEA flow-through	603,840	561,531	479,075	450,033	434,917	401,808	330,200
Total	\$ 15,646,451	14,573,252	13,049,892	12,449,035	12,013,605	11,960,078	11,398,276

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 76,271
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	306,411 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 10	6,384
			<u>389,066</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 09	16,162
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 10	311,984
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	27,623
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	43,752
			<u>399,521</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>31,389</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>4,846</u>
EDUCATION TECHNOLOGY STATE GRANTS	84.318	FY 10	<u>97</u>
READING FIRST STATE GRANTS	84.357	FY 09	<u>12,038</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 10	<u>83,501</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 10	<u>9,627</u>
STATE FISCAL STABILIZATION FUND(SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>659,064</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 10	81,866
SPECIAL EDUCATION GRANTS TO STATES, RECOVERY ACT	84.391	FY 09	44,715
SPECIAL EDUCATION GRANTS TO STATES, RECOVERY ACT	84.391	FY 10	65,285
			<u>191,866</u>
TOTAL			<u>\$ 1,781,015</u>

* -Includes \$25,320 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Chariton Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 28, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned costs as items II-B-10 through II-D-10 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Chariton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

To the Board of Education of
Chariton Community School District

Compliance

We have audited the compliance of Chariton Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Chariton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Chariton Community School District's management. Our responsibility is to express an opinion on Chariton Community School District's compliance based on our audit.

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

In our opinion, Chariton Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Chariton Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Chariton Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chariton Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2011

CHARITON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 - State Fiscal Stabilization Fund(SFSF) - Education State Grants, Recovery Act
 - Clustered Programs:
School Nutrition Cluster
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - Title I Cluster
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Chariton Community School District did not qualify as a low-risk auditee.

CHARITON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review procedures to obtain maximum internal control.

Conclusion - Response accepted.

II-B-10 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted instances of purchase orders dated after the supplies had been ordered or received and other transactions processed without purchase orders.

Recommendation - This procedure should be reviewed and necessary changes made so that all disbursements have a pre-numbered purchase order that is approved by the appropriate administrator before the ordering of supplies takes place.

Response - We will continue to monitor the purchase order process.

Conclusion - Response accepted.

II-C-10 Foster Care Revenue - We noted Foster Care revenue miscoded as Special Education open enrollment revenue. This would result in an understatement of Foster Care revenue for the year ended June 30, 2010.

Recommendation - The District should properly code revenues and expenses to ensure that each is fairly stated for any given fiscal period.

Response - Foster Care revenues will be properly coded.

Conclusion - Response accepted.

II-D-10 Carl Perkins Grant - We noted during our audit that the District recorded Carl Perkins Grant expenses in the Student Activity Fund, and then reimbursed those expenses from the General Fund. The Student Activity Fund cannot be used as a clearing account for any other fund.

Recommendation - Carl Perkins monies are for instructional purposes and are inappropriate to the Student Activity Fund. The District should refrain from recording Carl Perkins Grant expenses to the Student Activity Fund.

Response - We will notify all personnel that Pekins monies are for instructional purposes only.

Conclusion - Response accepted.

OTHER MATTERS:

II-E-10 Intangible Asset Policy - Although the District implemented Governmental Accounting Standards Board Statement No. 51 with regard to intangible assets, the District does not have a policy addressing capitalization of intangible assets.

Recommendation - The District's Board of Directors should adopt an intangible asset policy addressing the capitalization of intangible assets.

Response - The board will adopt an intangible asset policy addressing the capitalization of intangible assets as soon as normal protocol permits.

Conclusion - Response accepted

CHARITON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.389: Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2009-2010
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.394 - State Fiscal Stabilization Fund(SFSF) - Grants to States, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review procedures to obtain maximum internal control.

Conclusion - Response accepted.

CHARITON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-10 Certified Budget - District expenditures/expenses for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 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-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dave Rich, Board Member Owner of True Value	Supplies	\$1,585

The above transactions with the Board Member do not appear to represent a conflict of interest in accordance with Chapter 279.7A of the Code of Iowa.

IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The certified enrollment was overstated by 0.05 students.

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

Response - Our auditors will be contacting the Iowa Department of Education and the Department of Management to resolve this issue.

Conclusion - Response accepted.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 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-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 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. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	32,532
Statewide sales and services tax revenue			862,102
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	57,939	
Equipment		11,290	
Debt service for school infrastructure:			
General obligation debt		679,383	
Revenue debt		146,022	
			<u>894,634</u>
Ending balance		\$	<u>0</u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010, the district reduced the following levies:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 2.75415	\$ 679,383
Physical plant and equipment levy	\$ 0.74072	\$ 182,717

IV-M-10 Signing of Officiating Contracts - We noted during our audit that the Board President was not signing athletic officiating contracts for the District. 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 should have the Board President sign all contracts the District enters into, to comply with Chapter 291.1 of the Code of Iowa.

Response - The Board will approve all referee contracts. The Board President will then sign them.

Conclusion - Response accepted.

IV-N-10 Hourly Wages Payroll Procedures - We noted during our audit that the District did not maintain documentation on hours worked by coaches for wage and hour purposes, as required by the Department of Labor.

Recommendation - The District should require documentation of hours worked for coaches who are not exempt. The District should monitor for minimum wage as well as overtime.

Response - We will work with our athletic department to get documentation of hours worked for coaches who are not exempt. We will then monitor for minimum wage requirements as well as overtime.

Conclusion - Response accepted.