

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

JUNE 30, 2010

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information -		
Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	49
Schedule of Changes in Student Activity Accounts	3	50-51
Combining Statement of Net Assets - Internal Service Funds	4	52
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds	5	53
Combining Statement of Cash Flows - Internal Service Funds	6	54
Combining Statement of Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	7	55
Combining Statement of Changes in Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	8	56
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	9	57
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	10	58
Schedule of Expenditures of Federal Awards	11	59-60
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 <u>Government Auditing Standards</u>		62-63
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		64-65
Schedule of Findings and Questioned Costs		66-68

Charles City Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Ralph Smith	President	2011
Matt Spading	Vice President	2011
Bill Fenholt	Board Member	2009
Randy Heitz	Board Member	2009
Mark G. Miller	Board Member	2009
Board of Education (After September 2009 Election)		
Ralph Smith	President	2011
Matt Spading	Vice President	2011
Bill Fenholt	Board Member	2013
Randy Heitz	Board Member	2013
Mark G. Miller	Board Member	2013
School Officials		
Andy Pattee	Superintendent	2010
Terri O'Brien	Business Manager/ District Secretary and Treasurer	2010
Ahlers & Cooney P.C.	Attorney	2010

CHARLES CITY



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
Charles City 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 Charles City Community School District, Charles City, 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 Charles City 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 December 7, 2010 on our consideration of Charles City 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 Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 are not required parts of the

Members American Institute & Iowa Society of Certified Public Accountants

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Charles City 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 year ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for eight years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 11, 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 PC
NOLTE, CORNMAN & JOHNSON, P.C.

December 7, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Charles City Community School District provides the 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 increased from \$14,899,818 net of transfers in fiscal 2009 to \$14,939,137 net of transfers in fiscal 2010, while General Fund expenditures increased from \$14,905,167 in fiscal 2009 to \$15,652,098 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$1,704,249 in fiscal 2009 to a balance of \$991,288 in fiscal 2010, which is less than a 41.83% decrease from the prior year.

General Fund revenue was budgeted at \$15.6 million in fiscal year 2010. There were two events that were out of the District's control that contributed to the shortfall. First, the State of Iowa reduced state aid by 10% which meant a reduction of \$774,175 in state revenues to the District. Second, a company bankruptcy led to lower excise tax revenue received by the District. If these two events had not occurred, General Fund revenue would have been approximately \$15.8 million which would have been above the fiscal 2010 expense amount.

- The increase in General Fund revenues was attributable to increases in local and federal sources in fiscal 2010. The increase in expenditures was due primarily to increases in negotiated salaries and benefits as well as increases in expenditures funded by grants received by the District.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased as compared to fiscal 2009. At June 30, 2009 the District's solvency ratio was 8.51% as compared to 3.38% at June 30, 2010. The State School Budget Review Committee recommends of a solvency ratio between 5% - 10%.

USING THIS ANNUAL REPORT

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

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

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

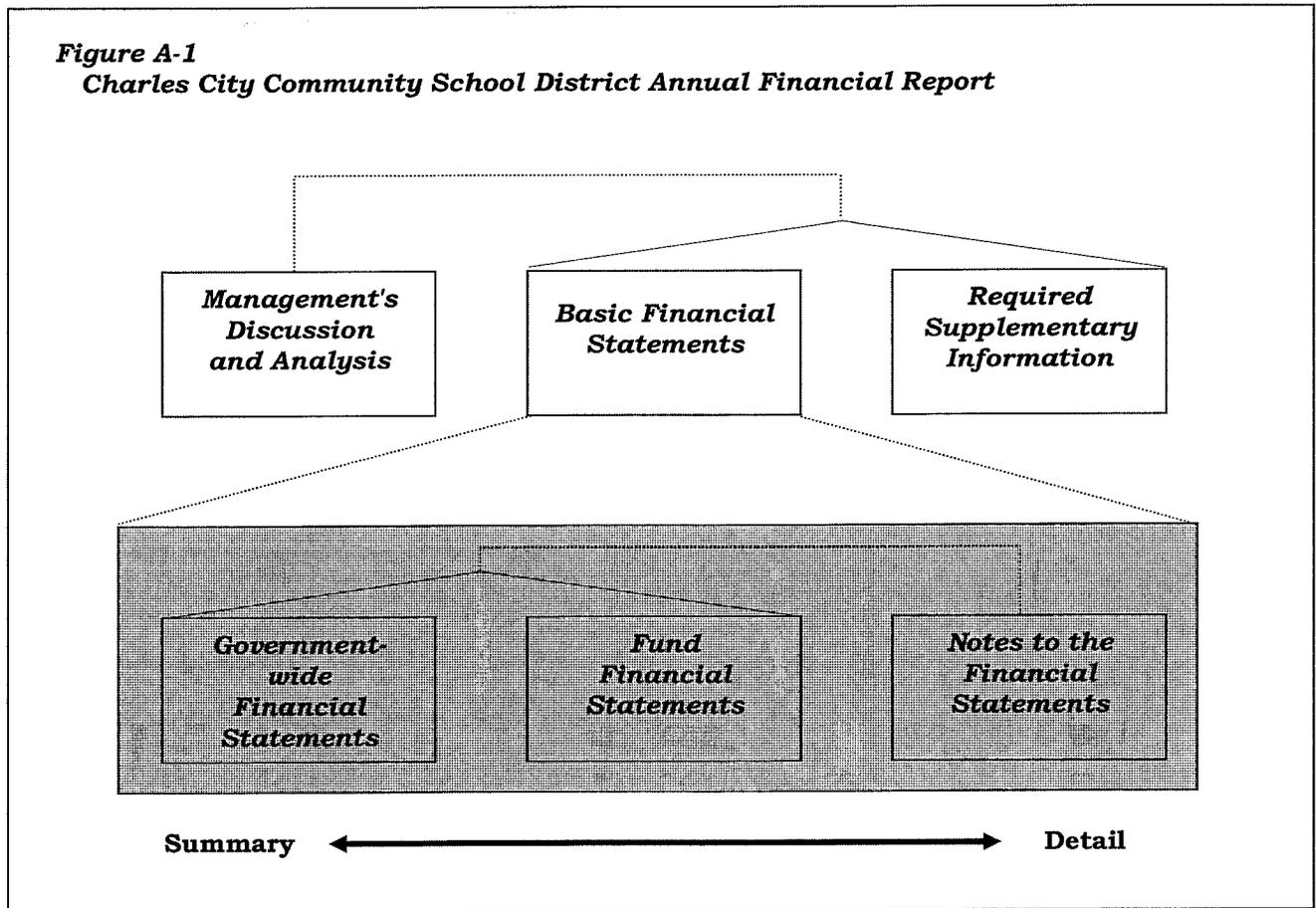


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and 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 required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

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

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District administers and accounts for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 11,486,098	11,769,736	211,701	187,655	11,697,799	11,957,391	-2.17%
Capital assets	5,097,695	5,112,081	67,998	36,804	5,165,693	5,148,885	0.33%
Total assets	16,583,793	16,881,817	279,699	224,459	16,863,492	17,106,276	-1.42%
Long-term obligations	441,418	440,030	3,102	1,544	444,520	441,574	0.67%
Other liabilities	7,648,693	7,011,851	59,403	61,044	7,708,096	7,072,895	8.98%
Total liabilities	8,090,111	7,451,881	62,505	62,588	8,152,616	7,514,469	8.49%
Net assets:							
Invested in capital assets, net of related debt	5,097,695	4,862,081	67,998	36,804	5,165,693	4,898,885	5.45%
Restricted	1,546,717	1,705,868	0	0	1,546,717	1,705,868	-9.33%
Unrestricted	1,849,270	2,861,987	149,196	125,057	1,998,466	2,987,044	-33.10%
Total net assets	\$ 8,493,682	9,429,936	217,194	161,861	8,710,876	9,591,797	-9.18%

The District's combined net assets decreased by 9.18%, or \$880,921, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased 9.33%, or \$159,151, over the prior year. The decrease in Physical Plant and Equipment Levy fund balance is the main factor in the decrease in restricted net assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$998,588, or 33.10%.

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 School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 665,922	684,726	388,591	432,648	1,054,513	1,117,374	-5.63%
Operating grants and contributions and restricted interest	3,926,253	2,817,921	485,835	465,689	4,412,088	3,283,610	34.37%
Capital grants and contributions and restricted interest	21,756	21,100	0	0	21,756	21,100	3.11%
General revenues:							
Property tax	4,820,123	4,644,447	0	0	4,820,123	4,644,447	3.78%
Income surtax	679,371	1,233,742	0	0	679,371	1,233,742	-44.93%
Statewide sales, services and use tax	970,134	929,344	0	0	970,134	929,344	4.39%
Unrestricted state grants	5,647,780	7,006,271	0	0	5,647,780	7,006,271	-19.39%
Unrestricted investment earnings	27,109	51,878	1,014	1,189	28,123	53,067	-47.00%
Other	256,225	199,248	3,299	0	259,524	199,248	30.25%
Transfers	(5,931)	0	5,931	0	0	0	0.00%
Total revenues & transfers	17,008,742	17,588,677	884,670	899,526	17,893,412	18,488,203	-3.22%
Program expenses:							
Governmental activities:							
Instructional	11,541,985	10,594,264	0	0	11,541,985	10,594,264	8.95%
Support services	4,794,664	4,460,257	36,977	35,295	4,831,641	4,495,552	7.48%
Non-instructional programs	14,230	9,991	792,360	800,496	806,590	810,487	-0.48%
Other expenses	1,594,117	1,398,199	0	0	1,594,117	1,398,199	14.01%
Total expenses	17,944,996	16,462,711	829,337	835,791	18,774,333	17,298,502	8.53%
Changes in net assets	(936,254)	1,125,966	55,333	63,735	(880,921)	1,189,701	-174.05%
Beginning net assets	9,429,936	8,303,970	161,861	98,126	9,591,797	8,402,096	14.16%
Ending net assets	\$ 8,493,682	9,429,936	217,194	161,861	8,710,876	9,591,797	-9.18%

In fiscal 2010, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 71.24% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.84% of the revenue from business type activities.

The District's total revenues were approximately \$17.89 million of which \$17.00 million was for governmental activities and slightly less than \$0.89 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.22% decrease in revenues and a 8.53% increase in expenses. Property tax increased \$175,676 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits as well as increases in expenses related to the net OPEB liability.

Governmental Activities

Revenues for governmental activities were \$17,008,742 and expenses were \$17,944,996.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
	Instruction	\$ 11,541,985	10,594,264	8.95%	7,685,643	7,745,751
Support services	4,794,664	4,460,257	7.50%	4,757,354	4,407,054	7.95%
Non-instructional programs	14,230	9,991	42.43%	14,230	9,991	42.43%
Other expenses	1,594,117	1,398,199	14.01%	873,838	776,168	100.00%
Totals	\$ 17,944,996	16,462,711	9.00%	13,331,065	12,938,964	3.03%

- The cost financed by users of the District's programs was \$665,922.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,948,009.
- The net cost of governmental activities was financed with \$4,820,123 in property tax, \$679,371 in income surtax, \$970,134 in statewide sales, services and use tax, \$5,647,780 in unrestricted state grants and \$27,109 in interest income and \$250,294 in other general revenues net of transfers.

Business type Activities

Revenues of the District's business type activity were \$884,670 net of transfers and expenses were \$829,337. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Charles City Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,499,979, below last year's ending fund balances of \$3,296,241. However, the primary reason for the decrease in combined fund balances is due to the increase in fund balance of the Physical Plant and Equipment Levy Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local and federal source revenues resulted in an increase in revenues. The increase in salaries and benefits is one of the reasons for the increase in expenditures. The increase in revenues was not enough to offset the increase in expenditures; the net result was a decrease in fund balance from \$1,704,249 in fiscal 2009 to \$991,288 in fiscal 2010.

- The Capital Projects fund balance overall increased from \$836,267 in fiscal 2009 to \$1,070,024 in fiscal 2010. Both revenues and expenses in the Capital Projects Fund increased as compared to fiscal 2009. During the year the Lincoln HVAC project was completed along with the district-wide fiber optic network upgrades with monies from the Capital Projects Fund.

Proprietary Fund Highlights

As of the year ended June 30, 2010, the School Nutrition Fund experienced a decrease in revenues and expenses as compared to June 30, 2009. Overall, net assets increased from \$161,861 at June 30, 2009 to \$217,194 at June 30, 2010, representing an increase of 34.19%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$663,013 less than budgeted revenues, a variance of 3.58%. The most significant variances resulted from the District receiving more in federal sources than originally anticipated and less in state sources due in part to the 10% budget reduction by the state for the 2010 year.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$5,165,693, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.33% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$411,763.

The original cost of the District's capital assets was \$14,191,213. Governmental funds account for \$13,684,070 with the remainder of \$507,143 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$164,158 at June 30, 2009 as compared to \$0 at June 30, 2010. This decrease is due to completion of the fiber optic network upgrades in the District.

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	\$ 325,000	325,000	0	0	325,000	325,000	0.00%
Construction in progress	0	164,158	0	0	0	164,158	-100.00%
Buildings	4,190,589	4,073,294	0	0	4,190,589	4,073,294	2.88%
Machinery and equipment	582,106	549,629	67,998	36,804	650,104	586,433	10.86%
Total	\$ 5,097,695	5,112,081	67,998	36,804	5,165,693	5,148,885	0.33%

Long-Term Debt

At June 30, 2010, the District had \$444,520 in early retirement and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

During the year the District made the final payment of \$250,000 on the capital loan notes payable that was being paid from the Physical Plant and Equipment Levy Fund.

The District had outstanding Early Retirement benefits of \$255,373 payable from the Special Revenue, Management Fund at June 30, 2010.

The District had \$58,246 in compensated absences payable from the General Fund at June 30, 2010.

The District has a net OPEB liability of \$127,799 in the governmental activities and \$3,102 in the business type activities.

Figure A-7
Outstanding Long-Term Obligations

	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
Capital Loan Notes	\$ 0	250,000	0	0	0	250,000	-100.00%
Early Retirement	255,373	62,810	0	0	255,373	62,810	306.58%
Compensated Absences	58,246	63,350	0	0	58,246	63,350	-8.06%
Net OPEB Liability	127,799	63,870	3,102	1,554	130,901	65,424	100.08%
Total	\$ 441,418	440,030	3,102	1,554	444,520	441,584	0.66%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes.

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 Terri O'Brien, Business Manager, Charles City Community School District, 500 North Grand Avenue, Charles City, Iowa, 51442.



BASIC FINANCIAL STATEMENTS

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 4,311,208	176,506	4,487,714
Receivables:			
Property tax:			
Delinquent	71,540	0	71,540
Succeeding year	5,700,068	0	5,700,068
Income surtax	667,101	0	667,101
Interfund	1,330	(1,330)	0
Accounts	4,567	732	5,299
Due from other governments	730,284	6,976	737,260
Inventories	0	28,817	28,817
Capital assets, net of accumulated depreciation	5,097,695	67,998	5,165,693
Total Assets	16,583,793	279,699	16,863,492
Liabilities			
Accounts payable	323,139	422	323,561
Salaries and benefits payable	1,263,243	48,296	1,311,539
Incurred but not reported claims	220,600	0	220,600
Deferred revenue:			
Succeeding year property tax	5,700,068	0	5,700,068
Other	141,643	0	141,643
Unearned revenue	0	10,685	10,685
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	97,400	0	97,400
Compensated absences	58,246	0	58,246
Portion due after one year:			
Early retirement payable	157,973	0	157,973
Net OPEB liability	127,799	3,102	130,901
Total Liabilities	8,090,111	62,505	8,152,616
Net Assets			
Invested in capital assets, net of related debt	5,097,695	67,998	5,165,693
Restricted for:			
Categorical funding	214,381	0	214,381
Physical plant and equipment levy	8,859	0	8,859
Capital projects	1,070,024	0	1,070,024
Other special revenue purposes	253,453	0	253,453
Unrestricted	1,849,270	149,196	1,998,466
Total Net Assets	\$ 8,493,682	217,194	8,710,876

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants, Contributions for and Restricted		Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
		Services	Interest	Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,295,991	211,640	2,862,862	0	(3,221,489)	0	(3,221,489)
Special	2,632,367	153,572	332,913	0	(2,145,882)	0	(2,145,882)
Other	2,613,627	295,355	0	0	(2,318,272)	0	(2,318,272)
	<u>11,541,985</u>	<u>660,567</u>	<u>3,195,775</u>	<u>0</u>	<u>(7,685,643)</u>	<u>0</u>	<u>(7,685,643)</u>
Support services:							
Student	559,259	0	0	0	(559,259)	0	(559,259)
Instructional staff	973,528	0	0	0	(973,528)	0	(973,528)
Administration	1,555,422	0	0	0	(1,555,422)	0	(1,555,422)
Operation and maintenance							
of plant	1,244,359	0	0	0	(1,244,359)	0	(1,244,359)
Transportation	462,096	5,355	31,955	0	(424,786)	0	(424,786)
	<u>4,794,664</u>	<u>5,355</u>	<u>31,955</u>	<u>0</u>	<u>(4,757,354)</u>	<u>0</u>	<u>(4,757,354)</u>
Non-instruction:							
Food service operations	14,230	0	0	0	(14,230)	0	(14,230)
Other expenditures:							
Facilities acquisitions	620,533	0	0	21,756	(598,777)	0	(598,777)
Long-term debt interest	12,604	0	0	0	(12,604)	0	(12,604)
AEA flowthrough	698,523	0	698,523	0	0	0	0
Depreciation (unallocated)*	262,457	0	0	0	(262,457)	0	(262,457)
	<u>1,594,117</u>	<u>0</u>	<u>698,523</u>	<u>21,756</u>	<u>(873,838)</u>	<u>0</u>	<u>(873,838)</u>
Total governmental activities	17,944,996	665,922	3,926,253	21,756	(13,331,065)	0	(13,331,065)
Business Type activities:							
Support services:							
Administration	26,474	0	0	0	0	(26,474)	(26,474)
Operation and maintenance							
of plant	10,503	0	0	0	0	(10,503)	(10,503)
	<u>36,977</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(36,977)</u>	<u>(36,977)</u>
Non-instructional programs:							
Nutrition services	792,360	388,591	485,835	0	0	82,066	82,066
Total business type activities	<u>829,337</u>	<u>388,591</u>	<u>485,835</u>	<u>0</u>	<u>0</u>	<u>45,089</u>	<u>45,089</u>
Total	\$ 18,774,333	1,054,513	4,412,088	21,756	(13,331,065)	45,089	(13,285,976)
General Revenues & Transfers:							
Property tax for:							
General purposes				\$ 4,467,145	0	4,467,145	
Capital outlay				352,978	0	352,978	
Income surtax				679,371	0	679,371	
Statewide sales, services and use tax				970,134	0	970,134	
Unrestricted state grants				5,647,780	0	5,647,780	
Unrestricted investment earnings				27,109	1,014	28,123	
Other				256,225	3,299	259,524	
Transfers				(5,931)	5,931	0	
Total general revenues and transfers				<u>12,394,811</u>	<u>10,244</u>	<u>12,405,055</u>	
Changes in net assets				(936,254)	55,333	(880,921)	
Net assets beginning of year				9,429,936	161,861	9,591,797	
Net assets end of year				<u>\$ 8,493,682</u>	<u>217,194</u>	<u>8,710,876</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 2,039,401	896,837	428,961	3,365,199
Receivables:				
Property tax:				
Delinquent	64,103	0	7,437	71,540
Succeeding year	4,932,425	0	767,643	5,700,068
Income surtax	444,734	0	222,367	667,101
Interfund	1,490	0	0	1,490
Accounts	993	0	3,574	4,567
Due from other governments	445,220	284,986	78	730,284
Total Assets	\$ 7,928,366	1,181,823	1,430,060	10,540,249
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ 0	0	160	160
Accounts payable	166,320	111,799	1,223	279,342
Salaries and benefits payable	1,251,956	0	0	1,251,956
Deferred revenue:				
Succeeding year property tax	4,932,425	0	767,643	5,700,068
Income surtax	444,734	0	222,367	667,101
Other	141,643	0	0	141,643
Total liabilities	6,937,078	111,799	991,393	8,040,270
Fund balances:				
Reserved for:				
Categorical funding	214,381	0	0	214,381
Unreserved:				
Designated for donor bequests	2,813	0	0	2,813
Designated for special purposes by board	269,423	0	0	269,423
Undesignated	504,671	1,070,024	438,667	2,013,362
Total fund balances	991,288	1,070,024	438,667	2,499,979
Total Liabilities and Fund Balances	\$ 7,928,366	1,181,823	1,430,060	10,540,249

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY 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)	\$ 2,499,979
<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 in the governmental funds.	5,097,695
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	670,325
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	667,101
Long-term liabilities, including early retirement payable, compensated absences payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(441,418)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 8,493,682</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY 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	\$ 4,731,442	970,134	739,995	6,441,571
Tuition	326,961	0	0	326,961
Other	313,550	28,341	325,605	667,496
State sources	7,667,801	0	460	7,668,261
Federal sources	1,881,828	0	0	1,881,828
Total revenues	<u>14,921,582</u>	<u>998,475</u>	<u>1,066,060</u>	<u>16,986,117</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	5,854,449	0	135,309	5,989,758
Special	2,632,367	0	0	2,632,367
Other	2,351,267	0	271,325	2,622,592
	<u>10,838,083</u>	<u>0</u>	<u>406,634</u>	<u>11,244,717</u>
Support services:				
Student	532,794	0	2,629	535,423
Instructional staff	635,287	0	371,060	1,006,347
Administration	1,458,815	0	22,710	1,481,525
Operation and maintenance of plant	1,077,387	0	142,353	1,219,740
Transportation services	411,209	0	78,108	489,317
	<u>4,115,492</u>	<u>0</u>	<u>616,860</u>	<u>4,732,352</u>
Non-instructional programs:				
Food service operations	0	0	10,470	10,470
Other expenditures:				
Facilities acquisitions	0	764,718	77,545	842,263
Long-term debt:				
Principal	0	0	250,000	250,000
Interest and fiscal charges	0	0	13,750	13,750
AEA flowthrough	698,523	0	0	698,523
	<u>698,523</u>	<u>764,718</u>	<u>341,295</u>	<u>1,804,536</u>
Total expenditures	<u>15,652,098</u>	<u>764,718</u>	<u>1,375,259</u>	<u>17,792,075</u>
Excess(Deficiency) of revenues over(under)expenditures	(730,516)	233,757	(309,199)	(805,958)
Other financing sources(uses):				
Transfer in	8,064	0	263,750	271,814
Transfer out	0	0	(271,609)	(271,609)
Sale of equipment	9,491	0	0	9,491
Total other financing sources(uses)	<u>17,555</u>	<u>0</u>	<u>(7,859)</u>	<u>9,696</u>
Net change in fund balances	(712,961)	233,757	(317,058)	(796,262)
Fund balance beginning of year	1,704,249	836,267	755,725	3,296,241
Fund balance end of year	<u>\$ 991,288</u>	<u>1,070,024</u>	<u>438,667</u>	<u>2,499,979</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22) \$ (796,262)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were exceeded by depreciation expense and loss on disposal in the current year, as follows:

Expenditures for capital assets	\$ 397,732	
Depreciation expense	(403,126)	
Loss on disposal	(8,992)	(14,386)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (153,421)

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. Current year repayments are as follows:

Repaid		250,000
--------	--	---------

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. 1,146

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 28,057

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.

Early Retirement	(192,563)	
Compensated Absences	5,104	
Other postemployment benefits	(63,929)	(251,388)

Changes in net assets of governmental activities (page 19) \$ (936,254)

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 176,506	946,009
Accounts receivable	732	0
Due from other governments	6,976	0
Inventories	28,817	0
Total current assets	<u>213,031</u>	<u>946,009</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	<u>67,998</u>	<u>0</u>
Total non-current assets	<u>67,998</u>	<u>0</u>
TOTAL ASSETS	<u>281,029</u>	<u>946,009</u>
LIABILITIES		
Current liabilities:		
Interfund payable	1,330	0
Accounts payable	422	43,797
Salaries and benefits payable	48,296	11,287
Incurred but not reported claims	0	220,600
Unearned revenue	10,685	0
Total current liabilities	<u>60,733</u>	<u>275,684</u>
Long-term liabilities:		
Net OPEB liability	<u>3,102</u>	<u>0</u>
Total long-term liabilities	<u>3,102</u>	<u>0</u>
TOTAL LIABILITIES	<u>63,835</u>	<u>275,684</u>
NET ASSETS		
Invested in capital assets	67,998	0
Unrestricted	149,196	670,325
TOTAL NET ASSETS	<u>\$ 217,194</u>	<u>670,325</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 388,591	0
Miscellaneous	3,299	1,832,306
TOTAL OPERATING REVENUES	<u>391,890</u>	<u>1,832,306</u>
OPERATING EXPENSES:		
Support services:		
Administration services:		
Salaries	15,761	0
Benefits	9,922	0
Services	791	0
	<u>26,474</u>	<u>0</u>
Operation and maintenance of plant:		
Services	1,241	0
Supplies	9,262	0
	<u>10,503</u>	<u>0</u>
Total support services	<u>36,977</u>	<u>0</u>
Non-instructional programs:		
Food service operations:		
Salaries	308,372	0
Benefits	83,483	0
Services	5,814	0
Supplies	383,460	0
Depreciation	8,637	0
	<u>789,766</u>	<u>0</u>
Other enterprise operations:		
Benefits	0	1,991,513
Other	0	1,401
Total non-instructional programs	<u>789,766</u>	<u>1,992,914</u>
TOTAL OPERATING EXPENSES	<u>826,743</u>	<u>1,992,914</u>
OPERATING INCOME (LOSS)	<u>(434,853)</u>	<u>(160,608)</u>
NON-OPERATING REVENUES:		
State sources	8,443	0
Federal sources	477,392	0
Interest income	1,014	7,187
TOTAL NON-OPERATING REVENUES	<u>486,849</u>	<u>7,187</u>
Change in net assets before other financing uses	51,996	(153,421)
Other financing sources(uses):		
Transfer out	(205)	0
Loss on asset disposal	(2,594)	0
Capital contributions	6,136	0
Total other financing sources(uses)	<u>3,337</u>	<u>0</u>
Changes in net assets	55,333	(153,421)
Net assets beginning of year	<u>161,861</u>	<u>823,746</u>
Net assets end of year	<u>\$ 217,194</u>	<u>670,325</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 386,658	0
Cash received from miscellaneous operating activities	3,299	1,832,306
Cash payments to employees for services	(417,782)	(1,936,769)
Cash payments to suppliers for goods or services	(332,208)	0
Net cash used in operating activities	<u>(360,033)</u>	<u>(104,463)</u>
Cash flows from non-capital financing activities:		
Borrowings/Repayments to General Fund	1,325	0
State grants received	8,443	0
Federal grants received	409,750	0
Net cash provided by non-capital financing activities	<u>419,518</u>	<u>0</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(36,289)</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	<u>1,014</u>	<u>7,187</u>
Net increase(decrease) in cash and cash equivalents	24,210	(97,276)
Cash and cash equivalents at beginning of year	<u>152,296</u>	<u>1,043,285</u>
Cash and cash equivalents at end of year	<u>\$ 176,506</u>	<u>946,009</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (434,853)	(160,608)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	67,642	0
Depreciation	8,637	0
Decrease in inventories	1,514	0
Increase in accounts receivable	(2,880)	0
Increase(Decrease) in accounts payable	(796)	35,915
Decrease in salaries and benefits payable	(1,792)	(2,270)
Increase in incurred but not reported claims	0	22,500
Increase in unearned revenue	947	0
Increase in other postemployment benefits	1,548	0
Net cash used in operating activities	<u>\$ (360,033)</u>	<u>(104,463)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$67,642.

During the year ended June 30, 2010, the Nutrition Fund received contributed capital of \$6,136 from the General Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 258,006	1,838
Interest receivable	402	0
TOTAL ASSETS	258,408	1,838
LIABILITIES		
Accounts payable	0	229
Due to other groups	0	1,609
TOTAL LIABILITIES	0	1,838
NET ASSETS		
Reserved for scholarships	225,366	0
Unreserved	33,042	0
TOTAL NET ASSETS	\$ 258,408	0

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 10,448
Contributions	3,600
Total additions	<u>14,048</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>9,700</u>
Change in net assets	4,348
Net assets beginning of year	<u>254,060</u>
Net assets end of year	<u><u>\$ 258,408</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) **Summary of Significant Accounting Policies**

The Charles City 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. The geographic area served primarily includes the City of Charles City, Iowa, and the predominate agricultural territory of Floyd and Chickasaw 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, Charles City 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 Charles City 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 Floyd and Chickasaw 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 service.

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 also reports two non-major proprietary funds:

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 employee health insurance plan of the District and the employee's flexible spending plan. The

Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, 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 during the fiscal year on a cash basis. At the end of the fiscal year, for reporting purposes, the District prepares the financial statements on an accrual basis 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	\$ 2,000
Buildings	2,000
Land improvements	2,000
Intangibles	125,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-20 years

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

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

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund 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.

Designated Fund Balances - In the governmental fund financial statements, designated funds are not available for appropriation, but are set aside for a specific purpose. The designated fund balance in the General Fund is a portion of the unused instructional support levy the District's Board of Directors sets aside for future instructional support levy equipment and materials purchases.

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 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 Government Obligations Portfolio which are valued at an amortized cost of \$10,085 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 Investor's Service.

(3) **Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	\$ 263,750
General	Nutrition	205
General	Activity	<u>7,859</u>
Total		<u><u>\$ 271,814</u></u>

The transfer from the Physical Plant and Equipment Levy fund to the Debt Service fund was for principal and interest due on the District's final payment of capital loan notes.

The transfer from the Nutrition fund to the General Fund was for monies received from the team nutrition training grants.

The transfer from the Activity fund to the General Fund was to close individual activity fund accounts that would be more appropriately handled in the General Fund.

(4) 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	\$ 325,000	0	0	325,000
Construction in progress	164,158	215,594	379,752	0
Total capital assets not being depreciated	<u>489,158</u>	<u>215,594</u>	<u>379,752</u>	<u>325,000</u>
Capital assets being depreciated:				
Buildings	10,923,366	379,752	0	11,303,118
Machinery and equipment	1,992,845	182,138	119,031	2,055,952
Total capital assets being depreciated	<u>12,916,211</u>	<u>561,890</u>	<u>119,031</u>	<u>13,359,070</u>
Less accumulated depreciation for:				
Buildings	6,850,072	262,457	0	7,112,529
Machinery and equipment	1,443,216	140,669	110,039	1,473,846
Total accumulated depreciation	<u>8,293,288</u>	<u>403,126</u>	<u>110,039</u>	<u>8,586,375</u>
Total capital assets being depreciated, net	<u>4,622,923</u>	<u>158,764</u>	<u>8,992</u>	<u>4,772,695</u>
Governmental activities capital assets, net	<u>\$ 5,112,081</u>	<u>374,358</u>	<u>388,744</u>	<u>5,097,695</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 536,459	42,425	71,741	507,143
Less accumulated depreciation	499,655	8,637	69,147	439,145
Business type activities capital assets, net	<u>\$ 36,804</u>	<u>33,788</u>	<u>2,594</u>	<u>67,998</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 41,751
Support services:		
Instructional staff		3,885
Administration		10,418
Operation and maintenance		12,852
Transportation		71,763
		<u>140,669</u>
Unallocated depreciation		<u>262,457</u>
Total governmental activities depreciation expense		<u>\$ 403,126</u>
Business type activities:		
Food services		<u>\$ 8,637</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Capital Loan Notes	\$ 250,000	0	250,000	0	0
Early Retirement	62,810	207,023	14,460	255,373	97,400
Compensated Absences	63,350	58,246	63,350	58,246	58,246
Net OPEB Liability	63,870	63,929	0	127,799	0
Total	\$ 440,030	329,198	327,810	441,418	155,646
	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business Type Activities:					
Net OPEB Liability	\$ 1,554	1,548	0	3,102	0

Capital Loan Notes

During the year ended June 30, 2010, the District made the final payment of the capital loan note agreement with Ruan Securities Corporation to finance improvements to the Lincoln Elementary School.

Early Retirement

The District offers a voluntary early retirement plan to administrators/directors as well as professional employees included in the Charles City Educational Association's collective bargaining agreement. Since the District offers the early retirement plan on a year by year basis as needed, the early retirement policy changed in fiscal 2010 for benefits payable in 2011.

An employee is eligible for early retirement benefits after completing ten years of full-time service with the school district and is at least fifty-five years old as of June 30 of the school year in which the employee has applied for early retirement benefits. Eligible employees must complete an application which is required to be approved by the Board of Education.

Teachers, librarians and counselors will receive an amount equal to a flat amount of \$10,000 plus \$250 per year of service provided to the District. Nurses will receive an amount equal to a flat amount of \$10,000 plus \$225 per year of service to the District. Administrative early retirees will receive an amount equal to a percent of the administrator's current salary.

The early retirement benefit will be placed into a District sponsored 403(b) plan on or before January 20th in the year after the employee retires from the District.

Upon retirement, retirees are eligible to continue participation in the District's group insurance plan. The District will pay the cost of the single premium to each retiree. Insurance coverage will be provided for five years after the date of

retirement. During the five year period, the District paid portion will cease when retirees reach Medicare eligibility, secures other employment in which insurance coverage is provided or dies. After five years, or if one of the above provisions occurs, the retiree can elect to continue participation in the District's health insurance program at the retiree's own cost.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$673,693, \$622,114 and \$549,639 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 193 active and 30 retired members in the plan.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

Funding Policy - the contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 112,521
Interest on net OPEB obligation	1,636
Adjustment to annual required contribution	(2,856)
Annual OPEB cost (expense)	<u>111,301</u>
Amortization of unfunded actuarial accrued liability	(45,824)
Increase in net OPEB obligation	65,477
Net OPEB obligation - beginning of year	<u>65,424</u>
 Net OPEB obligation - end of year	 <u><u>\$ 130,901</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2010.

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:

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 111,301	41.17%	\$ 130,901

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1.079 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.079 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.087 million, and the ratio of the UAAL to the covered payroll was 11.9%. 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. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The health cost trend rate for basis of the actuarial was 6% per year.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$332 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The District has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 120% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$50,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$670,325 at June 30, 2010. The incurred but not recorded and unpaid claims liability of \$220,600 reported in the plan at June 30, 2010 based on the requirements of GASB Statement Number 10, is set up as a liability on the statement of net assets.

In addition, the District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$698,523 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.

(10) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
Limited english proficiency	\$ 11,528
Home school assistance program	23,271
Dropout prevention	51,041
Beginning teacher mentoring	709
Market factor	742
Early intervention	19,876
Textbook aid - non public students	232
Learning connections program	3,735
Model core curriculum	53,572
Professional development	38,355
Market factor incentives	11,320
Total	<u>\$ 214,381</u>



REQUIRED SUPPLEMENTARY INFORMATION

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 7,436,028	392,904	7,828,932	8,066,923	8,066,923	(237,991)
State sources	7,668,261	8,443	7,676,704	9,393,996	9,393,996	(1,717,292)
Federal sources	1,881,828	477,392	2,359,220	1,066,950	1,066,950	1,292,270
Total revenues	16,986,117	878,739	17,864,856	18,527,869	18,527,869	(663,013)
Expenditures/Expenses:						
Instruction	11,244,717	0	11,244,717	11,509,000	11,509,000	264,283
Support services	4,732,352	36,977	4,769,329	4,888,662	4,888,662	119,333
Non-instructional programs	10,470	789,766	800,236	982,000	982,000	181,764
Other expenditures	1,804,536	0	1,804,536	3,247,333	3,247,333	1,442,797
Total expenditures/expenses	17,792,075	826,743	18,618,818	20,626,995	20,626,995	2,008,177
Excess(Deficiency) of revenues over(under) expenditures/expenses	(805,958)	51,996	(753,962)	(2,099,126)	(2,099,126)	1,345,164
Other financing sources, net	9,696	3,337	13,033	33,800	33,800	(20,767)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(796,262)	55,333	(740,929)	(2,065,326)	(2,065,326)	1,324,397
Balance beginning of year	3,296,241	161,861	3,458,102	3,502,562	3,502,562	44,460
Balance end of year	\$ 2,499,979	217,194	2,717,173	1,437,236	1,437,236	1,368,857

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. 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 functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial			Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)				
2009	July 1, 2008	\$ -	\$ 1,079	\$ 1,079	0.0%	\$ 8,794	12.3%	
2010	July 1, 2008	\$ -	\$ 1,079	\$ 1,079	0.0%	\$ 9,087	11.9%	

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

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds			Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds
ASSETS				
Cash and pooled investments	\$ 173,979	251,027	3,955	428,961
Receivables:				
Property tax				
Current year delinquent	2,535	0	4,902	7,437
Succeeding year	375,000	0	392,643	767,643
Income surtax	0	0	222,367	222,367
Accounts	0	3,574	0	3,574
Due from other governments	1	75	2	78
TOTAL ASSETS	\$ 551,515	254,676	623,869	1,430,060
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 160	0	0	160
Accounts payable	0	1,223	0	1,223
Deferred revenue:				
Succeeding year property tax	375,000	0	392,643	767,643
Income surtax	0	0	222,367	222,367
Total liabilities	375,160	1,223	615,010	991,393
Unreserved fund balances	176,355	253,453	8,859	438,667
TOTAL LIABILITIES AND FUND BALANCES	\$ 551,515	254,676	623,869	1,430,060

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY 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
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 169,912	0	570,083	739,995	0	739,995
Other	26,512	297,083	2,010	325,605	0	325,605
State sources	158	0	302	460	0	460
TOTAL REVENUES	196,582	297,083	572,395	1,066,060	0	1,066,060
EXPENDITURES:						
Current:						
Instruction:						
Regular	135,309	0	0	135,309	0	135,309
Other	0	271,325	0	271,325	0	271,325
Support services:						
Student	2,629	0	0	2,629	0	2,629
Instructional staff	4,632	0	366,428	371,060	0	371,060
Administration	19,704	2,606	400	22,710	0	22,710
Operation and maintenance of plant	86,050	420	55,883	142,353	0	142,353
Transportation	15,808	3,000	59,300	78,108	0	78,108
Non-instructional programs:						
Food service operations	10,470	0	0	10,470	0	10,470
Other expenditures:						
Facilities acquisition	0	0	77,545	77,545	0	77,545
Long-term debt:						
Principal	0	0	0	0	250,000	250,000
Interest and fiscal charges	0	0	0	0	13,750	13,750
TOTAL EXPENDITURES	274,602	277,351	559,556	1,111,509	263,750	1,375,259
Excess(Deficiency) of revenues over(under) expenditures	(78,020)	19,732	12,839	(45,449)	(263,750)	(309,199)
Other financing sources(uses):						
Transfer in	0	0	0	0	263,750	263,750
Transfers out	0	(7,859)	(263,750)	(271,609)	0	(271,609)
Total other financing sources(uses)	0	(7,859)	(263,750)	(271,609)	263,750	(7,859)
Net change in fund balances	(78,020)	11,873	(250,911)	(317,058)	0	(317,058)
Fund balance beginning of year	254,375	241,580	259,770	755,725	0	755,725
Fund balance end of year	\$ 176,355	253,453	8,859	438,667	0	438,667

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY 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	Interfund and Intrafund Transfers	Balance End of Year
Comet Drama	\$ 625	6,302	4,433	(666)	1,828
Speech Club	40	478	0	0	518
HS Musical	2,301	4,829	4,337	25	2,818
Choir Robes	1,834	47	638	0	1,243
General Vocal Activity	17,438	2,187	3,582	143	16,186
Middle School Musical	10,448	0	0	93	10,541
Marching Band	10,835	12,654	14,671	78	8,896
Jazz Band	2,743	1,583	2,006	21	2,341
Music Uniform	5,498	252	592	46	5,204
HS Orchestra	680	25	97	0	608
MS Band/Orchestra	600	5,771	6,248	0	123
Sportsman's Park	4,173	19,754	3,704	(8,650)	11,573
Athletic Fund	59,983	83,429	84,478	185	59,119
Girls Track	0	5,492	303	46	5,235
Girls Cross Country	456	166	135	0	487
Boys Cross Country	119	2,339	2,227	0	231
Booster Club	45,248	43,408	55,331	9,125	42,450
Boys Basketball	946	177	981	0	142
Football Club	6,085	15,300	12,077	83	9,391
Baseball Club	10,398	4,222	1,089	120	13,651
Boys Track	0	2,543	653	0	1,890
Girls Basketball	3,096	111	459	24	2,772
Volleyball Fund	37	1,850	13	0	1,874
Girls Swimming Club	469	0	0	0	469
Annual	6,444	15,452	14,815	63	7,144
HS Cheerleaders	305	3,146	3,187	0	264
Information Tech Club	408	1,266	565	0	1,109
Alternative HS Annual	10	569	548	0	31
FFA	3,293	31,386	31,977	24	2,726
German Club	5,687	3,127	1,823	(1,015)	5,976
School Improvement Assista	3,179	3,225	3,621	25	2,808
Cap and Gown Fund	461	3,265	3,633	0	93
Class of 2008	938	0	0	(938)	0
Class of 2009	1,228	0	0	(1,228)	0
Class of 2010	36	111	0	0	147
Class of 2011	33	3,398	2,783	0	648
Class of 2012	0	0	0	100	100
Class of 2013	0	0	0	100	100

CHARLES CITY 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	Interfund and Intrafund Transfers	Balance End of Year
Industrial Technology	594	14	0	0	608
FCS Club	824	55	0	0	879
HS Interest	160	2,099	396	(124)	1,739
FCCLA	306	1,470	565	0	1,211
MS Newspaper	3,906	1,385	1,652	32	3,671
MS Student Council	3,299	2,326	2,089	31	3,567
MS Interest	3,975	250	498	33	3,760
MS Band Uniform	7,190	0	0	64	7,254
MS Parent Organization	2,154	9,604	7,311	39	4,486
Lincoln School	1,850	0	443	(1,407)	0
Washington School	4,383	562	562	(4,383)	0
Pool Support	3,190	0	0	29	3,219
HS Wrestling	44	345	319	0	70
RAGRAI	0	0	325	0	(325)
Band Fees	3,631	1,109	2,185	23	2,578
Total	\$ 241,580	297,083	277,351	(7,859)	253,453

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2010

	Medical	Flex	Total
ASSETS			
Cash and pooled investments	\$ 934,722	11,287	946,009
TOTAL ASSETS	934,722	11,287	946,009
LIABILITIES			
Accounts payable	43,797	0	43,797
Salaries and benefits payable	0	11,287	11,287
Incurred but not reported claims	220,600	0	220,600
TOTAL LIABILITIES	264,397	11,287	275,684
NET ASSETS			
Unrestricted	670,325	0	0
TOTAL NET ASSETS	\$ 670,325	0	670,325

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2010

	Medical	Flex	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 1,784,278	48,028	1,832,306
OPERATING EXPENSES:			
Other enterprise operations:			
Benefits	1,944,886	46,627	1,991,513
Other	0	1,401	1,401
TOTAL OPERATING EXPENSES	1,944,886	48,028	1,992,914
OPERATING LOSS	(160,608)	0	(160,608)
NON-OPERATING REVENUES:			
Interest income	7,187	0	7,187
Change in net assets	(153,421)	0	(153,421)
Net assets beginning of year	823,746	0	823,746
Net assets end of year	\$ 670,325	0	670,325

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2010

	Medical	Flex	Total
Cash flows from operating activities:			
Cash received from miscellaneous operating activities	\$ 1,784,278	48,028	1,832,306
Cash payments to employees for services	(1,886,471)	(50,298)	(1,936,769)
Net cash used in operating activities	<u>(102,193)</u>	<u>(2,270)</u>	<u>(104,463)</u>
Cash flows from investing activities:			
Interest on investments	7,187	0	7,187
Net decrease in cash and cash equivalents	(95,006)	(2,270)	(97,276)
Cash and cash equivalents at beginning of year	1,029,728	13,557	1,043,285
Cash and cash equivalents at end of year	<u>\$ 934,722</u>	<u>11,287</u>	<u>946,009</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (160,608)	0	(160,608)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Increase in accounts payable	35,915	0	35,915
Decrease in salaries and benefits payable	0	(2,270)	(2,270)
Increase in incurred but not reported claims	22,500	0	22,500
Net cash used in operating activities	<u>\$ (102,193)</u>	<u>(2,270)</u>	<u>(104,463)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2010

		Private Purpose Trust - Scholarship Fund									
		Davis	Debes	Hagman	Koenigsfeld	Koebrick	Santee	Miller	Miscellaneous		
		Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Annual	Activities	
		Total									
ASSETS											
Cash and pooled investments	\$	35,925	26,570	15,263	25,242	132,580	12,326	4,084	2,010	4,006	258,006
Interest receivable		27	55	33	154	83	45	5	0	0	402
TOTAL ASSETS		35,952	26,625	15,296	25,396	132,663	12,371	4,089	2,010	4,006	258,408
LIABILITIES											
		0	0	0	0	0	0	0	0	0	0
NET ASSETS											
Unreserved		452	1,620	238	1,721	22,663	187	145	2,010	4,006	33,042
Reserved for scholarships		35,500	25,005	15,058	23,675	110,000	12,184	3,944	0	0	225,366
TOTAL NET ASSETS	\$	35,952	26,625	15,296	25,396	132,663	12,371	4,089	2,010	4,006	258,408

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund									
	Davis Scholarship	Debes Scholarship	Hagman Scholarship	Koenigsfeld Scholarship	Koebrick Scholarship	Santee Scholarship	Miller Scholarship	Miscellaneous Annual	Activities	Total
ADDITIONS:										
Local sources:										
Interest	\$ 1,618	1,230	736	1,049	5,153	512	140	10	0	10,448
Contributions	0	0	0	0	0	0	0	3,600	0	3,600
TOTAL ADDITIONS	1,618	1,230	736	1,049	5,153	512	140	3,610	0	14,048
DEDUCTIONS:										
Instruction:										
Regular										
Scholarships awarded	1,680	1,770	550	2,500	1,000	600	0	1,600	0	9,700
Changes in net assets	(62)	(540)	186	(1,451)	4,153	(88)	140	2,010	0	4,348
Net assets beginning of year	36,014	27,165	15,110	26,847	128,510	12,459	3,949	0	4,006	254,060
Net assets end of year	\$ 35,952	26,625	15,296	25,396	132,663	12,371	4,089	2,010	4,006	258,408

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 2,199	12,491	12,852	1,838
TOTAL ASSETS	\$ 2,199	12,491	12,852	1,838
LIABILITIES				
Accounts payable	\$ 26	229	26	229
Due to other groups	2,173	12,262	12,826	1,609
TOTAL LIABILITIES	\$ 2,199	12,491	12,852	1,838

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:										
Local sources:										
Local tax	\$ 6,441,571	6,168,489	5,131,442	4,912,590	4,571,538	4,619,362	4,698,236	5,380,782	5,044,318	4,103,733
Tuition	326,961	348,519	312,904	396,504	460,364	459,662	371,529	411,057	350,932	361,431
Other	667,496	597,161	1,685,467	1,682,809	1,534,559	1,522,336	1,152,315	649,151	329,513	817,430
State sources	7,668,261	8,972,837	8,865,233	8,227,947	7,534,562	7,440,199	7,378,708	7,379,685	7,544,084	7,541,834
Federal sources	1,881,828	857,927	693,981	635,238	616,115	747,219	888,327	618,746	651,809	488,590
Total	\$ 16,986,117	16,944,933	16,689,027	15,855,088	14,717,138	14,788,778	14,489,115	14,439,421	13,920,656	13,313,018
Expenditures:										
Instruction:										
Regular	\$ 5,989,758	5,709,435	5,773,206	5,568,168	4,980,929	4,922,245	5,424,786	5,638,456	5,507,917	5,358,592
Special	2,632,367	2,735,995	2,463,608	2,416,275	2,188,725	2,225,711	2,442,470	2,451,812	2,443,104	2,399,268
Other	2,622,592	2,083,600	1,889,948	1,673,997	1,721,394	1,609,656	900,243	880,408	825,838	826,098
Support services:										
Student	535,423	517,097	493,054	455,475	383,759	388,134	396,687	375,504	362,618	379,073
Instructional staff	1,006,347	643,351	619,841	645,251	527,392	504,465	541,940	535,326	457,362	451,282
Administration	1,481,525	1,624,194	1,626,294	1,579,486	1,350,392	1,351,384	1,315,514	1,298,973	1,265,647	1,184,714
Operation and maintenance of plant	1,219,740	1,217,087	1,271,245	1,206,095	1,181,525	1,241,632	1,597,972	1,599,005	1,506,376	1,440,280
Transportation	489,317	468,449	472,789	458,751	435,304	450,365	282,541	314,789	331,802	349,221
Non-instructional programs	10,470	10,372	28,421	9,210	10,392	6,257	6,436	6,191	12,674	22,630
Other expenditures:										
Facilities acquisitions	842,263	707,028	834,063	1,045,763	1,547,041	399,303	559,612	249,055	635,485	1,090,979
Long-term debt:										
Principal	250,000	240,000	225,000	215,000	205,000	210,157	204,111	240,635	274,168	309,826
Interest and other charges	13,750	26,710	40,537	50,143	61,828	73,381	84,514	97,470	113,955	164,910
AEA flow-through	698,523	600,931	577,604	543,828	503,072	501,216	510,672	533,712	537,198	540,496
Total	\$ 17,792,075	16,584,249	16,315,610	15,867,442	15,096,753	13,883,906	14,267,498	14,221,336	14,274,144	14,517,369

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
DRUG-FREE COMMUNITIES SUPPORT PROGRAM	93.276	FY 10	\$ <u>80,424</u>
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	65,420
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	384,503 *
SUMMER FOOD SERVICE PROGRAM	10.559	FY 10	<u>15,791</u>
			<u>465,714</u>
CHILD AND ADULT CARE FOOD PROGRAM	10.558	FY 10	<u>11,473</u>
TEAM NUTRITION TRAINING GRANTS	10.574	FY 10	<u>205</u>
U.S. DEPARTMENT OF LABOR:			
IOWA DEPARTMENT OF LABOR:			
EMPLOYEE BENEFITS SECURITY ADMINISTRATION (COBRA PREMIUM ASSISTANCE), RECOVERY ACT	17.151	FY 10	<u>3,039</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1116-G	386,984
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1116-GC	28,087
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	42,760
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	<u>153,578</u>
			<u>611,409</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>8,543</u>
COMPREHENSIVE CENTERS (TECH-PREP EDUCATION TITLE II)	84.243	FY 09	2,029
COMPREHENSIVE CENTERS (TECH-PREP EDUCATION TITLE II)	84.243	FY 10	<u>18,966</u>
			<u>20,995</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 10	<u>1,599</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 10	<u>100,785</u>

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)	84.369	FY 09	620
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)	84.369	FY 10	10,231
			<u>10,851</u>
STATE FISCAL STABILIZATION FUND (SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	730,314
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	92,569
SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	23,122
SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	127,271
			<u>242,962</u>
NATIONAL ENDOWMENT FOR THE ARTS:			
IOWA ARTS COUNCIL:			
PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS (BIG YELLOW SCHOOL BUS)	45.025	FY 10	200
U.S. DEPARTMENT OF HUMAN SERVICES:			
IOWA DEPARTMENT OF HUMAN SERVICES:			
MEDICAL ASSISTANCE PROGRAM	93.778	FY 09	3,241
TOTAL			<u>\$ 2,291,754</u>

* Includes \$67,642 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the
Charles City 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 Charles City 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 December 7, 2010. 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 Charles City 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 Charles City Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Charles City 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charles City 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.

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.

Charles City 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 Charles City 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 Charles City Community School District and other parties to whom Charles City Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

December 7, 2010

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

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

To the Board of Education of
Charles City Community School District:

Compliance

We have audited the compliance of Charles City 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. Charles City 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 Charles City Community School District's management. Our responsibility is to express an opinion on Charles City Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Charles City 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 Charles City Community School District's compliance with those requirements.

In our opinion, Charles City 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 Charles City 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 Charles City 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 Charles City 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.

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


NOLTE, CORNMAN & JOHNSON, P.C.

December 7, 2010

CHARLES CITY 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) A significant deficiency and material weakness in internal control over financial reporting was 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) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Program for Children
 - Clustered
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I - Grants to Local Educational Agencies, Recovery Act
 - Clustered
 - CFDA Number 84.027 - Special Education - Grants to States (Part B)
 - CFDA Number 84.391 - Special Education - Grants to States (Part B), Recovery Act
 - Individual
 - CFDA Number 84.394 - ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Charles City Community School District did not qualify as a low-risk auditee.

CHARLES CITY 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 reported.

INTERNAL CONTROL DEFICIENCIES:

II-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 in the Student Activity Fund, 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 are always looking for ways to improve our internal controls and are willing to make changes that improve our situation.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements 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 - No business transactions between the District and District officials were noted.

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 no variances in the basic enrollment data certified to the Department of Education.
- IV-H-10 Supplementary Weighting - No variances in the basic enrollment data 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 being used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services 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		\$	539,810
Statewide sales, services and use tax revenue			970,134
Expenditures/Transfers out:			
School infrastructure:			
Buildings	\$	742,962	
Other improvements		21,756	764,718
			<hr/>
Ending balance		\$	<u>745,226</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>
Physical plant & equipment levy	\$ 0.83676	\$ 367,169