

CHARITON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

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CHARITON
COMMUNITY SCHOOLS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Chariton Community School District, Chariton, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Chariton Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2012 on our consideration of the Chariton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chariton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the lack of capital assets. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Chariton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,391,283 in fiscal 2010 to \$14,142,762 in fiscal 2011, while General Fund expenditures increased from \$13,151,379 in fiscal 2010 to \$13,154,450 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$1,628,285 in fiscal 2010 to a balance of \$2,616,597 in fiscal 2011, a 60.70% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state sources during fiscal 2011. The increase in expenditures was due primarily to a increase in the other expenditures function expense category, during fiscal 2011.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Chariton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Chariton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Chariton Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

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

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

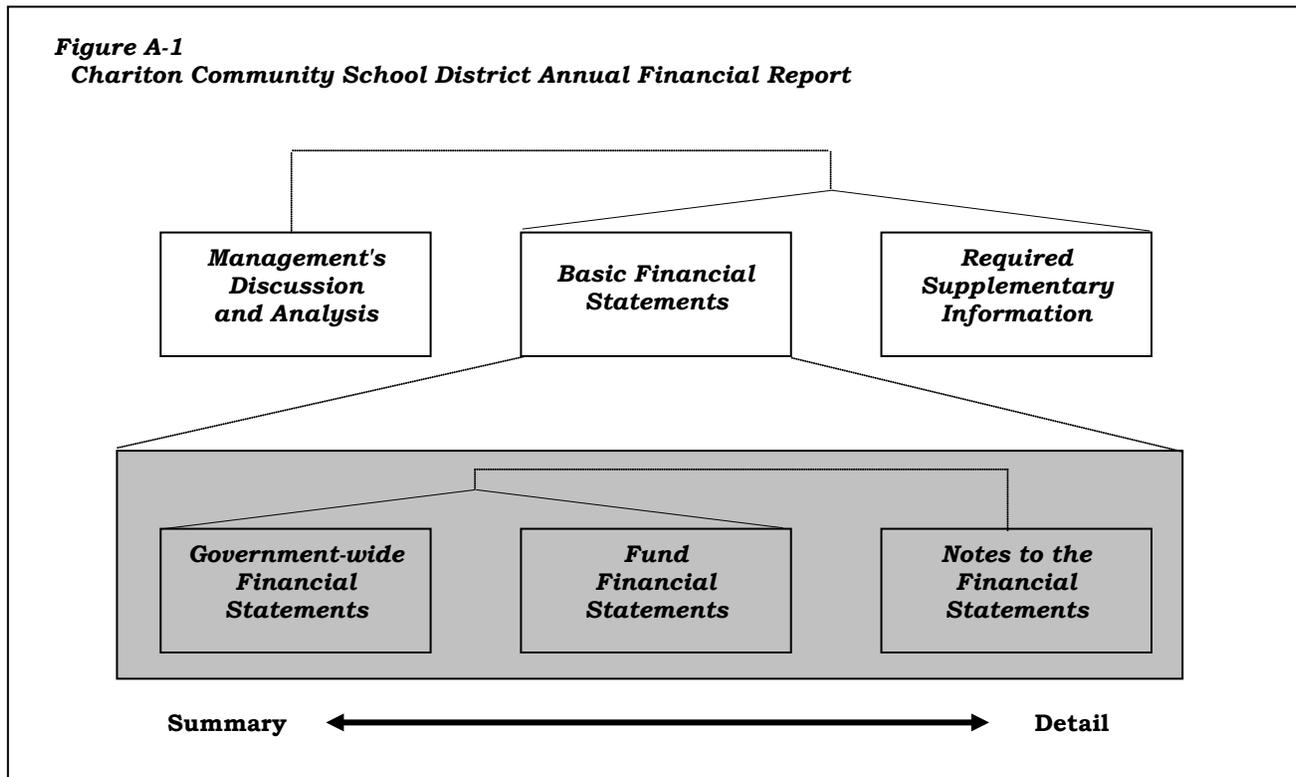


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 16,347,343	21,732,254	191,909	32,600	16,539,252	21,764,854	-24.01%
Capital assets	16,492,398	8,669,300	41,061	30,909	16,533,459	8,700,209	90.04%
Total assets	32,839,741	30,401,554	232,970	63,509	33,072,711	30,465,063	8.56%
Long-term liabilities	11,319,261	11,434,583	25,917	1,631	11,345,178	11,436,214	-0.80%
Other liabilities	6,140,324	5,811,452	108,600	6,672	6,248,924	5,818,124	7.40%
Total liabilities	17,459,585	17,246,035	134,517	8,303	17,594,102	17,254,338	1.97%
Net assets:							
Invested in capital assets, net of related debt	8,560,167	7,460,366	41,061	30,909	8,601,228	7,491,275	14.82%
Restricted	4,269,575	4,245,539	0	0	4,269,575	4,245,539	0.57%
Unrestricted	2,550,414	1,449,614	57,392	24,297	2,607,806	1,473,911	76.93%
Total net assets	\$ 15,380,156	13,155,519	98,453	55,206	15,478,609	13,210,725	17.17%

The District's combined net assets increased by 17.17% or \$2,267,884 from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$24,036 or 0.57% from the prior year. The increase was primarily a result of the improving fund balance in the Student Activity, Debt Service, and Physical Plant and Equipment Levy fund.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$1,133,895 or 76.93%. This increase was primarily a result of the increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues and Transfers							
Program revenues:							
Charges for services	\$ 724,115	756,141	202,076	206,403	926,191	962,544	-3.78%
Operating grants and contributions and restricted interest	1,781,007	2,999,544	436,609	395,400	2,217,616	3,394,944	-34.68%
General revenues:							
Property tax	3,562,653	3,652,189	0	0	3,562,653	3,652,189	-2.45%
Income surtax	1,081,616	410,639	0	0	1,081,616	410,639	163.40%
Statewide sales, services and use tax	1,080,824	862,102	0	0	1,080,824	862,102	25.37%
Unrestricted state grants	7,973,118	6,274,983	0	0	7,973,118	6,274,983	27.06%
Nonspecific program federal grants	199,010	0	0	0	199,010	0	100.00%
Unrestricted investment earnings	41,916	55,538	116	89	42,032	55,627	-24.44%
Other	135,764	76,246	1,343	828	137,107	77,074	77.89%
Transfers	(11,623)	0	11,623	0	0	0	0.00%
Total revenues and transfers	<u>16,568,400</u>	<u>15,087,382</u>	<u>651,767</u>	<u>602,720</u>	<u>17,220,167</u>	<u>15,690,102</u>	<u>9.75%</u>
Program expenses:							
Governmental activities:							
Instruction	9,665,008	9,828,041	0	0	9,665,008	9,828,041	-1.66%
Support services	3,357,037	3,792,486	0	1,941	3,357,037	3,794,427	-11.53%
Non-instructional programs	2,984	2,693	608,520	507,858	611,504	510,551	19.77%
Other expenses	1,318,734	993,017	0	0	1,318,734	993,017	32.80%
Total expenses	<u>14,343,763</u>	<u>14,616,237</u>	<u>608,520</u>	<u>509,799</u>	<u>14,952,283</u>	<u>15,126,036</u>	<u>-1.15%</u>
Change in net assets	2,224,637	471,145	43,247	92,921	2,267,884	564,066	302.06%
Beginning net assets	<u>13,155,519</u>	<u>12,684,374</u>	<u>55,206</u>	<u>(37,715)</u>	<u>13,210,725</u>	<u>12,646,659</u>	<u>4.46%</u>
Ending net assets	<u>\$ 15,380,156</u>	<u>13,155,519</u>	<u>98,453</u>	<u>55,206</u>	<u>15,478,609</u>	<u>13,210,725</u>	<u>17.17%</u>

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 82.68% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 97.99% of the revenue from business type activities.

The District's total revenues were approximately \$17.22 million, of which approximately \$16.57 million was for governmental activities and approximately \$.65 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.75% increase in revenues and a 1.15% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$16,568,400 and expenses were \$14,343,763 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 9,665,008	9,828,041	-1.66%	7,786,008	6,681,320	16.53%
Support services	3,357,037	3,792,486	-11.48%	3,337,532	3,787,362	-11.88%
Non-instructional	2,984	2,693	10.81%	2,984	2,693	10.81%
Other expenses	1,318,734	993,017	32.80%	712,117	389,177	82.98%
Totals	\$ 14,343,763	14,616,237	-1.86%	11,838,641	10,860,552	9.01%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$724,115.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,781,007.
- The net cost of governmental activities was financed with \$3,562,653 in property taxes, \$1,081,616 in income surtax, \$1,080,824 in statewide sales, services and use tax, \$7,973,118 in unrestricted state grants, \$199,010 in nonspecific program federal grants, \$41,916 of interest income and \$124,141 of other general revenues, net of transfers.

Business Type Activities

Revenues of the District's business type activities were \$651,767 and expenses were \$608,520. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, interest income, and capital contributions.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$9,697,237, below last year's ending fund balance of a \$15,653,789.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Revenues increased due to the increase from local and state sources. The District's General Fund balance increased by \$988,312.

-
- The Capital Projects Fund balance decreased from \$12,467,885 in fiscal year 2010 to \$5,303,285 in fiscal year 2011, due primarily to the Construction Account fund balance decreasing from \$10,121,066 in fiscal 2010 to \$3,172,769 in fiscal 2011. During the year ended June 30, 2011, the Physical Plant and Equipment Levy was reclassified as a Capital Projects Account due to GASB statement number 54.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$55,206 at June 30, 2010 to \$98,453 at June 30, 2011, representing an increase of 78.34%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$348,996 less than budgeted receipts, a variance of 2.03%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested approximately \$16.53 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 90.04% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$433,423.

The original cost of the District's capital assets was \$27,295,096. Governmental funds account for \$27,123,318 with the remainder of \$171,778 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress is related to the high school renovation project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 514,007	514,007	0	0	514,007	514,007	0.00%
Construction in progress	8,622,569	568,361	0	0	8,622,569	568,361	1417.09%
Land improvements	236,994	269,691	0	0	236,994	269,691	-12.12%
Buildings and improvements	6,425,646	6,526,039	0	0	6,425,646	6,526,039	-1.54%
Machinery and equipment	693,182	791,202	41,061	30,909	734,243	822,111	-10.69%
Total	\$ 16,492,398	8,669,300	41,061	30,909	16,533,459	8,700,209	90.04%

Long-Term Debt

At June 30, 2011, the District had \$11,345,178 in total long-term debt outstanding. This represents an decrease of 0.80% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

At June 30, 2011, the District had total outstanding revenue bonds payable from the Capital Projects Fund of \$11,105,000.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$102,930 at June 30, 2011, and \$22,861 payable from the Nutrition Fund.

During its initial year of recording net OPEB liability in accordance with GASB Statement No. 45, the District disclosed a balance of \$114,387 at June 30, 2011.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Revenue bonds	\$ 11,105,000	11,330,000	0	0	11,105,000	11,330,000	-1.99%
Early retirement	102,930	45,214	22,861	0	125,791	45,214	178.21%
Net OPEB liability	111,331	59,369	3,056	1,631	114,387	61,000	87.52%
Totals	\$ 11,319,261	11,434,583	25,917	1,631	11,345,178	11,436,214	-0.80%

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kelley Reece, Board Secretary/Business Manager, Chariton Community School District, 140 E. Albia Road, P.O. Box 738, Chariton, Iowa, 50049-0738.

BASIC FINANCIAL STATEMENTS

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,434,373	174,816	10,609,189
Receivables:			
Property tax:			
Delinquent	73,515	0	73,515
Succeeding year	4,063,647	0	4,063,647
Income surtax	736,136	0	736,136
Accounts	3,464	363	3,827
Due from other funds	100,000	0	100,000
Due from other governments	936,208	6,101	942,309
Inventories	0	10,629	10,629
Capital assets, net of accumulated depreciation	16,492,398	41,061	16,533,459
TOTAL ASSETS	32,839,741	232,970	33,072,711
LIABILITIES			
Due to other funds	0	100,000	100,000
Accounts payable	134,585	0	134,585
Salaries and benefits payable	1,396,190	0	1,396,190
Accrued interest payable	229,128	0	229,128
Deferred revenue:			
Succeeding year property tax	4,063,647	0	4,063,647
Other	316,774	0	316,774
Unearned revenues	0	8,600	8,600
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	290,000	0	290,000
Early retirement	102,930	22,861	125,791
Portion due after one year:			
Revenue bonds	10,815,000	0	10,815,000
Net OPEB liability	111,331	3,056	114,387
TOTAL LIABILITIES	17,459,585	134,517	17,594,102
NET ASSETS			
Invested in capital assets, net of related debt	8,560,167	41,061	8,601,228
Restricted for:			
Categorical funding	464,634	0	464,634
Debt service	1,301,915	0	1,301,915
Management levy purposes	202,485	0	202,485
Student activities	170,025	0	170,025
School infrastructure	1,049,088	0	1,049,088
Physical plant and equipment levy	1,081,428	0	1,081,428
Unrestricted	2,550,414	57,392	2,607,806
TOTAL NET ASSETS	\$ 15,380,156	98,453	15,478,609

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants, Charges for Services		Govern- mental Activities	Business Type Activities	Total
		Contributions and Restricted Interest				
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 5,717,604	244,448	423,965	(5,049,191)	0	(5,049,191)
Special	2,029,813	134,621	214,025	(1,681,167)	0	(1,681,167)
Other	1,917,591	345,046	516,895	(1,055,650)	0	(1,055,650)
	<u>9,665,008</u>	<u>724,115</u>	<u>1,154,885</u>	<u>(7,786,008)</u>	<u>0</u>	<u>(7,786,008)</u>
Support services:						
Student	176,184	0	0	(176,184)	0	(176,184)
Instructional staff	419,130	0	5,303	(413,827)	0	(413,827)
Administration	1,379,752	0	0	(1,379,752)	0	(1,379,752)
Operation and maintenance of plant	778,084	0	14,202	(763,882)	0	(763,882)
Transportation	603,887	0	0	(603,887)	0	(603,887)
	<u>3,357,037</u>	<u>0</u>	<u>19,505</u>	<u>(3,337,532)</u>	<u>0</u>	<u>(3,337,532)</u>
Non-instructional programs:						
Community service operations	2,984	0	0	(2,984)		(2,984)
Other expenditures:						
Long-term debt interest	463,548	0	0	(463,548)	0	(463,548)
AEA flowthrough	606,617	0	606,617	0	0	0
Depreciation(unallocated)*	248,569	0	0	(248,569)	0	(248,569)
	<u>1,318,734</u>	<u>0</u>	<u>606,617</u>	<u>(712,117)</u>	<u>0</u>	<u>(712,117)</u>
Total governmental activities	14,343,763	724,115	1,781,007	(11,838,641)	0	(11,838,641)
Business Type activities:						
Non-instructional programs:						
Food service operations	608,520	202,076	436,609	0	30,165	30,165
Total business type activities	<u>608,520</u>	<u>202,076</u>	<u>436,609</u>	<u>0</u>	<u>30,165</u>	<u>30,165</u>
Total	<u>\$ 14,952,283</u>	<u>926,191</u>	<u>2,217,616</u>	<u>(11,838,641)</u>	<u>30,165</u>	<u>(11,808,476)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,395,012	0	3,395,012
Capital outlay				167,641	0	167,641
Income surtax				1,081,616	0	1,081,616
Statewide sales, services and use tax				1,080,824	0	1,080,824
Unrestricted state grants				7,973,118	0	7,973,118
Nonspecific program federal funding				199,010	0	199,010
Unrestricted investment earnings				41,916	116	42,032
Other				135,764	1,343	137,107
Transfers				(11,623)	11,623	0
Total general revenues				<u>14,063,278</u>	<u>13,082</u>	<u>14,076,360</u>
Changes in net assets				2,224,637	43,247	2,267,884
Net assets beginning of year				13,155,519	55,206	13,210,725
Net assets end of year				<u>\$ 15,380,156</u>	<u>98,453</u>	<u>15,478,609</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 3,833,277	4,826,347	1,773,968	10,433,592
Receivables:				
Property tax:				
Delinquent	66,612	3,136	3,767	73,515
Succeeding year	3,585,943	177,704	300,000	4,063,647
Income surtax	490,757	245,379	0	736,136
Accounts	0	0	1,471	1,471
Due from other funds	100,000	0	0	100,000
Due from other governments	450,211	485,997	0	936,208
TOTAL ASSETS	\$ 8,526,800	5,738,563	2,079,206	16,344,569
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 120,539	12,195	1,851	134,585
Salaries and benefits payable	1,396,190	0	0	1,396,190
Deferred revenue:				
Succeeding year property tax	3,585,943	177,704	300,000	4,063,647
Income surtax	490,757	245,379	0	736,136
Other	316,774	0	0	316,774
Total liabilities	5,910,203	435,278	301,851	6,647,332
Fund balances:				
Restricted for:				
Categorical funding	464,634	0	0	464,634
Debt service	0	0	1,301,915	1,301,915
Management levy purposes	0	0	305,415	305,415
Student activities	0	0	170,025	170,025
School infrastructure	0	1,049,088	0	1,049,088
Construction	0	3,172,769	0	3,172,769
Physical plant and equipment levy	0	1,081,428	0	1,081,428
Unassigned	2,151,963	0	0	2,151,963
Total fund balances	2,616,597	5,303,285	1,777,355	9,697,237
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,526,800	5,738,563	2,079,206	16,344,569

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)	\$ 9,697,237
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	16,492,398
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	736,136
Blending of the Internal Service Fund to be reflected on an entity-wide basis	2,774
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(229,128)
Long-term liabilities, including revenue bonds payable, early retirement payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(11,319,261)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 15,380,156</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,685,880	1,493,844	199,889	5,379,613
Tuition	353,197	0	0	353,197
Other	228,181	37,367	360,681	626,229
State sources	8,921,940	0	0	8,921,940
Federal sources	953,564	0	0	953,564
Total revenues	<u>14,142,762</u>	<u>1,531,211</u>	<u>560,570</u>	<u>16,234,543</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	5,552,705	0	66,996	5,619,701
Special	2,027,491	0	0	2,027,491
Other	1,582,762	0	340,022	1,922,784
	<u>9,162,958</u>	<u>0</u>	<u>407,018</u>	<u>9,569,976</u>
Support services:				
Student	175,644	0	0	175,644
Instructional staff	381,265	40,600	0	421,865
Administration	1,270,934	100,896	0	1,371,830
Operation and maintenance of plant	1,062,128	11,623	162,672	1,236,423
Transportation	491,920	212,499	0	704,419
	<u>3,381,891</u>	<u>365,618</u>	<u>162,672</u>	<u>3,910,181</u>
Non-instructional programs				
Community service operations	2,984	0	0	2,984
Other expenditures:				
Facilities acquisitions	0	7,515,500	0	7,515,500
Long-term debt:				
Principal	0	0	225,000	225,000
Interest and fiscal charges	0	1,750	359,087	360,837
AEA flowthrough	606,617	0	0	606,617
	<u>606,617</u>	<u>7,517,250</u>	<u>584,087</u>	<u>8,707,954</u>
Total expenditures	<u>13,154,450</u>	<u>7,882,868</u>	<u>1,153,777</u>	<u>22,191,095</u>
Excess(deficiency)of revenues over(under)expenditures	988,312	(6,351,657)	(593,207)	(5,956,552)
Other financing sources(uses):				
Transfer in	0	0	812,943	812,943
Transfer out	0	(812,943)	0	(812,943)
Total other financing sources(uses)	<u>0</u>	<u>(812,943)</u>	<u>812,943</u>	<u>0</u>
Net changes in fund balances	988,312	(7,164,600)	219,736	(5,956,552)
Fund balance beginning of year, as restated	1,628,285	12,467,885	1,557,619	15,653,789
Fund balance end of year	<u>\$ 2,616,597</u>	<u>5,303,285</u>	<u>1,777,355</u>	<u>9,697,237</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ (5,956,552)

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

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

Capital outlays	\$ 8,445,992	
Depreciation expense	(425,446)	
Loss on disposal	(197,448)	7,823,098

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.

Repaid		225,000
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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.

(102,711)

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

345,480

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

Early retirement	(57,716)	
Other postemployment benefits	(51,962)	(109,678)

Changes in net assets of governmental activities(page 19) \$ 2,224,637

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
ASSETS		
Cash and cash equivalents	\$ 174,816	781
Accounts receivable	363	1,993
Due from other governments	6,101	0
Inventories	10,629	0
Capital assets, net of accumulated depreciation	41,061	0
Total assets	232,970	2,774
LIABILITIES		
Due to other funds	100,000	0
Unearned revenue	8,600	0
Early retirement payable	22,861	0
Net OPEB liability	3,056	0
Total liabilities	134,517	0
NET ASSETS		
Invested in capital assets	41,061	0
Unrestricted	57,392	2,774
Total net assets	\$ 98,453	2,774

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
OPERATING REVENUES:		
Local sources:		
Charges for services	\$ 202,076	0
Miscellaneous	1,343	1,099
TOTAL OPERATING REVENUES	<u>203,419</u>	<u>1,099</u>
OPERATING EXPENSES:		
Non-instructional programs:		
Salaries	202,340	0
Benefits	75,395	1,099
Services	2,920	0
Supplies	319,887	0
Depreciation	7,978	0
TOTAL OPERATING EXPENSES	<u>608,520</u>	<u>1,099</u>
OPERATING INCOME (LOSS)	<u>(405,101)</u>	<u>0</u>
NON-OPERATING REVENUES:		
State sources	6,049	0
Federal sources	430,560	0
Interest income	116	0
TOTAL NON-OPERATING REVENUES	<u>436,725</u>	<u>0</u>
Change in net assets before other financing sources	31,624	0
Other financing sources:		
Capital contributions	<u>11,623</u>	<u>0</u>
Change in net assets	43,247	0
Net assets beginning of year	<u>55,206</u>	<u>2,774</u>
Net assets end of year	<u>\$ 98,453</u>	<u>2,774</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	Business Type	
	Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 204,534	0
Cash received from miscellaneous operating activities	1,343	0
Cash payments to employees for services	(253,478)	(1,099)
Cash payments to suppliers for goods or services	(283,229)	0
Net cash used in operating activities	<u>(330,830)</u>	<u>(1,099)</u>
Cash flows from non-capital financing activities:		
State grants received	6,049	0
Federal grants received	382,603	0
Net cash provided by non-capital financing activities	<u>388,652</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	116	0
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(6,507)	0
Net increase(decrease) in cash and cash equivalents	51,431	(1,099)
Cash and cash equivalents at beginning of year	<u>123,385</u>	<u>1,880</u>
Cash and cash equivalents at end of year	<u>\$ 174,816</u>	<u>781</u>
Reconciliation of operating income(loss)to net cash used in operating activities:		
Operating income(loss)	\$ (405,101)	0
Adjustments to reconcile operating income(loss)to net cash used in operating activities:		
Commodities consumed	41,856	0
Depreciation	7,978	0
Increase in inventories	(2,278)	0
Decrease(Increase) in accounts receivable	501	(1,099)
Decrease in salaries and benefits payable	(29)	0
Increase in unearned revenue	1,957	0
Increase in early retirement payable	22,861	0
Increase in net OPEB liability	1,425	0
Net cash used in operating activities	<u>\$ (330,830)</u>	<u>(1,099)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received \$41,856 of federal commodities.

During the year ended June 30, 2011, the District received \$11,623 in contributed capital from the Capital Projects: Physical Plant and Equipment Levy.

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011

	Private Purpose Trust Scholarship
ASSETS	
Cash and pooled investments	\$ 11,934
LIABILITIES	0
NET ASSETS	
Restricted for scholarships	\$ 11,934

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 15,111
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	16,250
Change in net assets	(1,139)
Net assets beginning of year	13,073
Net assets end of year	\$ 11,934

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies

Chariton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Chariton, Iowa, and the predominate agricultural territory in Lucas and Marion Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Chariton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Chariton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following nonmajor proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

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

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

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase

agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$4,721,418 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

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

The Enterprise, School Nutrition Fund is repaying the General Fund for salaries and benefits incurred during the year.

(4) Transfers

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services, and Use Tax	\$ 812,943

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

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily

based upon the LIBOR rate plus 120 basis points. During the year ended June 30, 2011, the District had no borrowings or repayments.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 514,007	0	0	514,007
Construction in progress	568,361	8,054,208	0	8,622,569
Total capital assets not being depreciated	1,082,368	8,054,208	0	9,136,576
Capital assets being depreciated:				
Land improvements	1,269,535	0	12,867	1,256,668
Buildings and improvements	11,854,508	127,343	0	11,981,851
Machinery and equipment	4,743,214	264,441	259,432	4,748,223
Total capital assets being depreciated	17,867,257	391,784	272,299	17,986,742
Less accumulated depreciation for:				
Land improvements	999,844	20,833	1,003	1,019,674
Buildings and improvements	5,328,469	227,736	0	5,556,205
Machinery and equipment	3,952,012	176,877	73,848	4,055,041
Total accumulated depreciation	10,280,325	425,446	74,851	10,630,920
Total capital assets being depreciated, net	7,586,932	(33,662)	197,448	7,355,822
Governmental activities capital assets, net	\$ 8,669,300	8,020,546	197,448	16,492,398
Business type activities:				
Machinery and equipment	\$ 153,648	18,130	0	171,778
Less accumulated depreciation	122,740	7,977	0	130,717
Business type activities capital assets, net	\$ 30,908	10,153	0	41,061

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 3,574
Other	10,297
Support services:	
Student	0
Instructional staff	6,072
Administration	1,094
Operation and maintenance of plant	18,091
Transportation	137,749
	<u>176,877</u>
Unallocated depreciation	<u>248,569</u>
Total governmental activities depreciation expense	<u>\$ 425,446</u>
Business type activities:	
Food services	<u>\$ 7,977</u>

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue Bonds	\$ 11,330,000	0	225,000	11,105,000	290,000
Early Retirement	45,214	95,190	37,474	102,930	102,930
Net OPEB Liability	59,369	51,962	0	111,331	0
Total	<u>\$ 11,434,583</u>	<u>147,152</u>	<u>262,474</u>	<u>11,319,261</u>	<u>392,930</u>
Business type activities:					
Early Retirement	0	22,861	0	22,861	22,861
Net OPEB Liability	<u>\$ 1,631</u>	<u>1,425</u>	<u>0</u>	<u>3,056</u>	<u>0</u>
	<u>1,631</u>	<u>24,286</u>	<u>0</u>	<u>25,917</u>	<u>22,861</u>

Revenue Bonds Payable

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated March 23, 2010				
	Interest Rates		Principal	Interest	Total
2012	3.00	% \$	290,000	458,255	748,255
2013	3.00		305,000	449,555	754,555
2014	3.00		435,000	440,405	875,405
2015	3.00		435,000	427,355	862,355
2016	4.00		455,000	414,305	869,305
2017-2021	4.00		2,605,000	1,781,725	4,386,725
2022-2026	4.00-4.38		3,290,000	1,201,291	4,491,291
2027-2030	4.50-4.75		3,290,000	395,095	3,685,095
Total			\$ 11,105,000	5,567,986	16,672,986

The District has pledged future statewide sales, services and use tax revenues to repay the \$11,330,000 of bonds issued in March 2010. The bonds were issued to finance the high school renovation project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 54% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$16,672,986. For the current year, \$225,000 of principal and \$359,087 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,080,824.

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

- a) \$927,037.50 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) The District shall make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Early Retirement

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

salary schedule base and the licensed employee's current salary (before deductions) less supplemental pay or extended contract pay. The incentive can be received as cash or the school district will provide continuing coverage under the school district's group insurance plan until the licensed employee reaches age sixty-five or when the incentive benefit runs out (whatever occurs first). If the retiree still has a balance in escrow for insurance at age sixty-five, the District shall pay the remainder balance to the retiree (net taxes). Early retirement benefits paid during the year ended June 30, 2011, totaled \$37,474.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$554,738, \$560,122 and \$504,111 respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits(OPEB)

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

The medical benefits are provided through a fully-insured plan with Mercer and dental benefits are provided by Delta Dental. Retirees under age 65 pay the same premium for the medical/dental benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 90,000
Interest on net OPEB obligation	2,745
Adjustment to annual required contribution	(2,358)
Annual OPEB cost	<u>90,387</u>
Contributions made	(37,000)
Increase in net OPEB obligation	<u>53,387</u>
Net OPEB obligation beginning of year	<u>61,000</u>
 Net OPEB obligation end of year	 <u><u>\$ 114,387</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$37,000 to the medical plan. Retired members eligible for the plan contributed \$358,007 or 92.73% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$90,000	32.22%	\$61,000
2011	\$90,387	40.94%	\$114,387

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$776,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$776,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,514,243 and the ratio of the UAAL to covered payroll was 10.33%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual health care cost trend rate starts at 11% for the year ended June 30, 2011. The trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate in 2022.

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

Projected claim costs of the medical plan are \$559 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: dental and long-term disability. District contributions to ISEBA for the year ended June 30, 2011 were \$103,288.

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

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$606,617 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Categorical Funding

The District's categorical funding balances for the year ended June 30, 2011 are as follows:

Project	Amount
Gifted and Talented Programs	\$ 65,587
Returning Dropouts and Dropout Prevention Programs	63,598
Four-year-old Preschool State Aid	107,613
Beginning Teacher Mentoring and Induction Program	276
Teacher Salary Supplement	77,335
Market Factor	10,233
Professional Development for Model Core Curriculum	56,876
Professional Development	59,316
Market Factor Incentives	5,070
Property Tax and State Aid Financed Weighted Limited English Proficient	18,730
Total	<u>\$ 464,634</u>

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Construction Account	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 1,360,723	10,121,066	986,096
Change in fund type classification per implementation of GASB Statement No. 54	11,107,162	(10,121,066)	(986,096)
Balances July 1, 2010, as restated	<u>\$ 12,467,885</u>	<u>-</u>	<u>-</u>

REQUIRED SUPPLEMENTARY INFORMATION

CHARITON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 6,359,039	203,535	6,562,574	6,694,283	6,694,283	(131,709)
State sources	8,921,940	6,049	8,927,989	9,647,400	9,647,400	(719,411)
Federal sources	953,564	430,560	1,384,124	882,000	882,000	502,124
Total revenues	<u>16,234,543</u>	<u>640,144</u>	<u>16,874,687</u>	<u>17,223,683</u>	<u>17,223,683</u>	<u>(348,996)</u>
Expenditures/Expenses:						
Instruction	9,569,976	0	9,569,976	11,212,755	11,212,755	1,642,779
Support services	3,910,181	0	3,910,181	6,968,298	6,968,298	3,058,117
Non-instructional programs	2,984	608,520	611,504	625,085	625,085	13,581
Other expenditures	8,707,954	0	8,707,954	12,644,426	12,644,426	3,936,472
Total expenditures/expenses	<u>22,191,095</u>	<u>608,520</u>	<u>22,799,615</u>	<u>31,450,564</u>	<u>31,450,564</u>	<u>8,650,949</u>
Excess(deficiency)of revenues over(under)expenditures/expenses	(5,956,552)	31,624	(5,924,928)	(14,226,881)	(14,226,881)	8,301,953
Other financing sources, net	0	11,623	11,623	45,000	45,000	(33,377)
Excess(deficiency)of revenues and other financing sources over(under) expenditures/expenses	(5,956,552)	43,247	(5,913,305)	(14,181,881)	(14,181,881)	8,268,576
Balance beginning of year	<u>15,653,789</u>	<u>55,206</u>	<u>15,708,995</u>	<u>14,701,174</u>	<u>14,701,174</u>	<u>1,007,821</u>
Balance end of year	<u>\$ 9,697,237</u>	<u>98,453</u>	<u>9,795,690</u>	<u>519,293</u>	<u>519,293</u>	<u>9,276,397</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	0	\$ 776,000	776,000	0%	\$ 7,852,210	9.88%
2011	July 1, 2009	0	\$ 776,000	776,000	0%	\$ 7,514,243	10.33%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	
ASSETS					
Cash and pooled investments	\$ 301,648	170,405	472,053	1,301,915	1,773,968
Receivables:					
Property tax:					
Delinquent	3,767	0	3,767	0	3,767
Succeeding year	300,000	0	300,000	0	300,000
Accounts	0	1,471	1,471	0	1,471
TOTAL ASSETS	\$ 605,415	171,876	777,291	1,301,915	2,079,206
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 0	1,851	1,851	0	1,851
Deferred revenue:					
Succeeding year property tax	300,000	0	300,000	0	300,000
Total liabilities	300,000	1,851	301,851	0	301,851
Fund balances:					
Restricted for:					
Debt service	0	0	0	1,301,915	1,301,915
Management levy purposes	305,415	0	305,415	0	305,415
Student activities	0	170,025	170,025	0	170,025
Total fund balances	305,415	170,025	475,440	1,301,915	1,777,355
TOTAL LIABILITIES AND FUND BALANCES	\$ 605,415	171,876	777,291	1,301,915	2,079,206

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	
REVENUES:					
Local sources:					
Local tax	\$ 199,889	0	199,889	0	199,889
Other	14,798	345,883	360,681	0	360,681
TOTAL REVENUES	214,687	345,883	560,570	0	560,570
EXPENDITURES:					
Current:					
Instruction:					
Regular	66,996	0	66,996	0	66,996
Other	0	340,022	340,022	0	340,022
Support services:					
Operation and maintenance of plant	162,672	0	162,672	0	162,672
Other expenditures:					
Long-term debt:					
Principal	0	0	0	225,000	225,000
Interest and fiscal charges	0	0	0	359,087	359,087
TOTAL EXPENDITURES	229,668	340,022	569,690	584,087	1,153,777
Excess(Deficiency) of revenues over(under) expenditures	(14,981)	5,861	(9,120)	(584,087)	(593,207)
OTHER FINANCING SOURCES:					
Transfers in	0	0	0	812,943	812,943
Net change in fund balances	(14,981)	5,861	(9,120)	228,856	219,736
Fund balances beginning of year, as restated	320,396	164,164	484,560	1,073,059	1,557,619
Fund balances end of year	\$ 305,415	170,025	475,440	1,301,915	1,777,355

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Construction Account	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 563,091	3,184,964	1,078,292	4,826,347
Receivables:				
Property tax:				
Delinquent	0	0	3,136	3,136
Succeeding year	0	0	177,704	177,704
Income surtax	0	0	245,379	245,379
Due from other governments	485,997	0	0	485,997
TOTAL ASSETS	\$ 1,049,088	3,184,964	1,504,511	5,738,563
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 0	12,195	0	12,195
Deferred revenue:				
Succeeding year property tax	0	0	177,704	177,704
Income surtax	0	0	245,379	245,379
Total liabilities	0	12,195	423,083	435,278
Fund balances:				
Restricted for:				
School infrastructure	1,049,088	0	0	1,049,088
Construction	0	3,172,769	0	3,172,769
Physical plant and equipment	0	0	1,081,428	1,081,428
Total fund balances	1,049,088	3,172,769	1,081,428	5,303,285
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,049,088	3,184,964	1,504,511	5,738,563

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Construction Account	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,080,824	0	413,020	1,493,844
Other	745	34,871	1,751	37,367
TOTAL REVENUES	1,081,569	34,871	414,771	1,531,211
EXPENDITURES:				
Current:				
Support services:				
Instructional staff	40,600	0	0	40,600
Administration	67,943	0	32,953	100,896
Operation and maintenance of plant	0	0	11,623	11,623
Transportation	0	0	212,499	212,499
Other expenditures:				
Facilities acquisitions	469,968	6,983,168	62,364	7,515,500
Long-term debt:				
Interest and fiscal charges	1,750	0	0	1,750
TOTAL EXPENDITURES	580,261	6,983,168	319,439	7,882,868
Excess(Deficiency) of revenues over(under) expenditures	501,308	(6,948,297)	95,332	(6,351,657)
Other financing uses:				
Transfer out	(812,943)	0	0	(812,943)
Net change in fund balances	(311,635)	(6,948,297)	95,332	(7,164,600)
Fund balances beginning of year, as restated	1,360,723	10,121,066	986,096	12,467,885
Fund balances end of year	\$ 1,049,088	3,172,769	1,081,428	5,303,285

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Thespians	\$ 3,228	0	11	3,217
Speech	224	49	273	0
National honor society	294	698	992	0
Vocal Music	915	0	150	765
Band	825	2,626	2,191	1,260
Middle School Band	106	0	0	106
Flag Team	48	0	16	32
Co-Ed Athletics	23,486	88,631	91,401	20,716
Girls Soccer	21	0	4	17
Boys Soccer	0	200	75	125
Boys Track	600	585	609	576
Girls Track	691	530	532	689
Cross Country	647	875	1,231	291
Girls Tennis	0	25	12	13
Boys Tennis	26	70	0	96
Boys Basketball	0	1,253	1,253	0
Football	12,479	17,787	14,899	15,367
Baseball	0	16,846	12,019	4,827
Wrestling	0	672	671	1
Weight Room	1,336	0	184	1,152
Golf	0	729	729	0
Girls Basketball	3	279	112	170
Volleyball	4,013	1,280	1,937	3,356
Softball	0	6,187	6,187	0
Class of 2010	967	0	0	967
Class of 2011	2,873	1,071	2,725	1,219
Class of 2012	78	19,306	14,227	5,157
Class of 2013	175	60	95	140
Class of 2014	175	478	67	586
Academiathon	603	596	183	1,016
Contingency	3,320	1,734	2,530	2,524
Concessions	12,241	48,457	39,583	21,115
Student Council	4,810	8,831	8,094	5,547
Life	32	0	0	32
Spanish Club	7,445	7,003	9,204	5,244
Art Service	804	678	1,482	0
C Club	1,047	32	120	959

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
FFA	3,076	3,441	4,713	1,804
FBLA	1,803	9,906	10,430	1,279
SES Club	5,222	8,069	9,363	3,928
On Other Hand	398	1,299	856	841
Yearbook	11,713	9,164	11,345	9,532
Cap & Gown	201	1,982	1,858	325
Cheerleaders	0	5,132	3,550	1,582
Musical	4,207	3,829	3,888	4,148
Woods Club	2,755	500	122	3,133
Construction Club	903	1,046	1,126	823
Donations	1,400	0	0	1,400
MS Student Council	1,344	1,797	600	2,541
6th Grade	428	0	35	393
7th Grade	450	0	294	156
8th Grade	1,343	2,035	2,821	557
MS BLD Initiative	10,888	10,901	13,985	7,804
MS Yearbook Club	872	1,218	1,305	785
Columbus	21,985	11,895	14,213	19,667
Van Allen Elementary	11,664	46,101	45,720	12,045
Total	\$ 164,164	345,883	340,022	170,025

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011

	Alexander Scholarship	Orva Hibbs Scholarship	Chariton High School Scholarship	Kandalynn Hall Scholarship	FCCLA/FEA Scholarship Award	Total
ASSETS						
Cash and pooled investments	\$ 2,000	4,500	1,251	2,183	2,000	11,934
LIABILITIES						
	0	0	0	0	0	0
NET ASSETS						
Restricted for scholarships	\$ 2,000	4,500	1,251	2,183	2,000	11,934

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Circle of Life/Friends Scholarship	Shelton Law Scholarship	Helen Alexander Scholarship	Helen Krutsinger Scholarship	Orva Hibbs Scholarship	Chariton High School Scholarship	Jessica Luedtke Scholarship	Kandalynn Hall Scholarship	FFCCLA/FEA Scholarship Award	Total
Additions:										
Local sources:										
Gifts and contributions	\$ 1,000	1,000	4,000	1,000	4,500	861	750	0	2,000	15,111
Deductions:										
Instruction:										
Regular:										
Scholarships awarded	1,000	2,000	5,000	1,000	3,000	1,500	2,750	0	0	16,250
Change in net assets	0	(1,000)	(1,000)	0	1,500	(639)	(2,000)	0	2,000	(1,139)
Net assets beginning of year	0	1,000	3,000	0	3,000	1,890	2,000	2,183	0	13,073
Net assets end of year	\$ 0	0	2,000	0	4,500	1,251	0	2,183	2,000	11,934

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 5,379,613	4,906,906	4,870,468	3,860,136	3,764,441	3,817,118	3,936,979	3,360,097
Tuition	353,197	337,392	275,381	724,286	611,828	640,590	439,979	362,761
Other	626,229	587,377	693,325	855,906	1,139,864	734,742	618,054	535,889
Intermediate sources	0	0	0	0	0	0	20,500	200
State sources	8,921,940	7,845,734	9,289,373	7,970,772	7,233,874	7,153,722	6,528,149	5,959,825
Federal sources	953,564	1,391,949	635,213	486,006	479,671	607,800	580,644	772,270
Total	\$ 16,234,543	15,069,358	15,763,760	13,897,106	13,229,678	12,953,972	12,124,305	10,991,042
Expenditures:								
Instruction:								
Regular	\$ 5,619,701	5,523,400	5,473,329	5,169,470	4,869,185	6,598,945	4,834,869	4,523,645
Special	2,027,491	2,070,714	1,904,943	1,706,515	1,498,964	672,165	1,818,441	1,798,565
Other	1,922,784	2,139,767	1,878,460	1,598,635	1,504,483	467,251	1,167,711	1,149,154
Support services:								
Student	175,644	151,018	138,676	228,310	246,285	237,994	164,689	123,432
Instructional staff	421,865	331,201	635,040	224,337	357,547	371,622	279,600	305,229
Administration	1,371,830	1,781,397	1,481,251	1,358,571	1,272,613	1,166,859	1,063,622	926,241
Operation and maintenance of plant	1,236,423	1,239,050	1,343,654	1,175,950	1,283,347	1,257,820	1,074,068	916,623
Transportation	704,419	697,197	741,812	643,887	566,057	443,514	506,022	371,026
Central	0	0	0	0	0	0	0	57,175
Other	0	0	0	0	0	0	176,605	121,839
Non-instructional programs	2,984	2,693	4,364	9,191	4,477	4,593	13,806	9,858
Other expenditures:								
Facilities acquisitions	7,515,500	414,977	48,455	95,714	43,207	8,146	102,635	403,221
Long-term debt:								
Principal	225,000	660,000	315,000	300,000	280,000	265,000	260,000	255,000
Interest and fiscal charges	360,837	31,197	46,737	60,237	72,837	84,779	96,202	107,068
AEA flow-through	606,617	603,840	561,531	479,075	450,033	434,917	401,808	330,200
Total	\$ 22,191,095	15,646,451	14,573,252	13,049,892	12,449,035	12,013,605	11,960,078	11,398,276

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	\$ 79,401
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	338,552 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 11	6,101
			<u>424,054</u>
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579	FY 11	<u>6,506</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 10	9,330
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 11	269,813
			<u>279,143 **</u>
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	<u>125,468 **</u>
IMPACT AID - FACILITIES MAINTENANCE	84.040	FY 05	<u>2,319</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	<u>33,790</u>
SPED - PRESCHOOL GRANT (PART B)	84.173	FY 11	<u>2,112</u>
READING FIRST STATE GRANTS	84.357	FY 10	<u>9,588</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION	84.365	FY 11	<u>2,675</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 11	<u>85,903</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 11	<u>9,289</u>
STATE FISCAL STABILIZATION FUND(SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	16,647
STATE FISCAL STABILIZATION FUND(SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	78,767
			<u>95,414 ***</u>
STATE FISCAL STABILIZATION FUND(SFSF) - GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	<u>70,256 ***</u>
EDUCATION JOB FUNDS	84.410	FY 11	<u>33,464</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 11	81,559
SPECIAL EDUCATION GRANTS TO STATES, RECOVERY ACT	84.391	FY 10	113,579
			<u>195,138</u>
DEPARTMENT OF HOMELAND SECURITY:			
IOWA DEPARTMENT OF HOMELAND SECURITY			
PUBLIC ASSISTANCE GRANTS (FEMA DISASTER ASSISTANCE)	97.036	FY 11	<u>9,005</u>
TOTAL			<u>\$ 1,384,124</u>

* -Includes \$41,856 of non-cash awards.

** -Total for Title I Cluster \$404,611

***-Total State Fiscal Stabilization Cluster \$165,670

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Certified Public Accountants
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117 West 3rd Street North, Newton, Iowa 50208-3050
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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Chariton Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 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 items II-B-11 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2012

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

To the Board of Education of
Chariton Community School District

Compliance

We have audited Chariton Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Chariton Community School District's major federal programs for the year ended June 30, 2011. Chariton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Chariton Community School District's management. Our responsibility is to express an opinion on Chariton Community School District's compliance based on our audit.

We conducted our audit 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 Chariton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Chariton Community School District's compliance with those requirements.

In our opinion, Chariton Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2012

CHARITON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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

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

CHARITON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

II-B-11 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted instances of purchase orders dated after the supplies had been ordered or received and we also noted transactions processed without purchase orders.

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

Response - We will continue to monitor the P.O. process to ensure the appropriate administrator has approved the order before it takes place.

Conclusion - Response accepted.

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

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.389: Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2010-2011
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.

IV-B-11 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-11 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-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dave Rich, Board Member Owner of True Value	Supplies	\$2,762

In accordance with Iowa Code Section 279.7A, the above transactions with Dave Rich do appear to be a conflict of interest by going over the maximum amount of \$2,500.

Recommendation - The District should limit purchases to the maximum allowed.

Response - Due to the fact Chariton has limited availability for many of the supplies needed, we often times need to make purchases at True Value. We understand this could appear to be a conflict and will continue to monitor.

Conclusion - Response acknowledged.

IV-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The certified enrollment was overstated by 1.0 student.

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

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

Conclusion - Response accepted.

IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 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-11 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-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,360,723
Revenues:		
Sales Tax Revenues	\$ 1,080,824	
Other Local Revenues	745	1,081,569
		<u>2,442,292</u>
Expenditures/transfers out:		
School Infrastructure Construction	\$ 469,968	
Equipment	45,113	
Other	65,180	
Transfers to Other Funds:		
Debt Service Fund	812,943	1,393,204
		<u>1,393,204</u>
Ending balance		<u>\$ 1,049,088</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Physical plant and equipment levy	<u>\$ 0.31986</u>	<u>\$ 78,887</u>

IV-M-11 Signing of Officiating Contracts - We noted during our audit that the Board President was not signing athletic officiating contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into, to comply with Chapter 291.1 of the Code of Iowa.

Response - We had understood previously that the Board could appoint the Athletic Director to sign all referee contracts. Since the audit we have started to have the Board President sign them. The Board President has been and will continue to sign all referee contracts.

Conclusion - Response accepted.

IV-N-11 Interfund Loans - We noted during our audit that the District has an interfund loan that was on the balance sheet in the prior year and still on the current year balance sheets. As of June 30, 2011, the District has a loan between the General Fund and Nutrition Fund that has not been repaid.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue external loans to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should issue external loans to repay the interfund loans to be in compliance with the declaratory order issued by the Iowa Department of Education to the Auditor of State and Iowa Code Chapter 74.

Response - The District is aware of the declaratory order issued by the Department of Education, but the District feels that, issuing external loans would impose unnecessary issuance and origination costs to the District.

Conclusion - Response acknowledged.

IV-O-11 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to cocurricular and extracurricular activities offered as a part of the education program for students.

SES Scholarships: It appears that the District awards scholarships to students from proceeds generated from activities recorded in the SES Club.

Recommendation - Scholarship awards to students are most appropriately handled through the Private Purpose Trust Fund. The District should determine the amount of scholarships to be awarded to students and receipt the proceeds and record subsequent expenditures in the Private Purpose Trust Fund.

Response - The District will receipt scholarship funds and expenditures in the Private Purpose Trust Fund.

Conclusion - Response accepted.