

CHARLES CITY 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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Charles City Community School District

Officials

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



# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the Business type activities, each major fund and the aggregate remaining fund information of Charles City Community School District, Charles City, Iowa, as of and for the year ended June 30, 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 Charles City 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 January 19, 2012 on our consideration of Charles City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 are not required parts of the

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Charles City Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for seven years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 13, 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.

January 19, 2012

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Charles City Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$14,939,137 in fiscal 2010 to \$15,983,105 in fiscal 2011, while General Fund expenditures decreased from \$15,652,098 in fiscal 2010 to \$15,107,931 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$991,288 in fiscal 2010 to a balance of \$1,866,462 in fiscal 2011, which is an 88.29% increase from the prior year.

Fiscal year 2010 revenues were budgeted at \$15.8 million but were reduced because of the 10% state funding cuts and an unanticipated company bankruptcy which lowered excise tax revenue. In comparing the anticipated fiscal year 2010 revenues of \$15.8 million to the fiscal year 2011 revenues of \$16.0 million, revenues increased 1%.

The decrease in expenditures was mainly the result of lower salaries expense in fiscal year 2011. The District did not replace six staff members, four teachers, one nurse and one administrator, who retired after the fiscal 2010 school year.

- The increase in General Fund revenues was attributable to increases in local and state sources in fiscal 2011. The decrease in expenditures was due primarily to decreases in the instruction and support services functional areas.
- The District's solvency ratio increased as compared to fiscal 2011. At June 30, 2011 the District's solvency ratio was 7.78% as compared to 3.38% at June 30, 2010.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

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

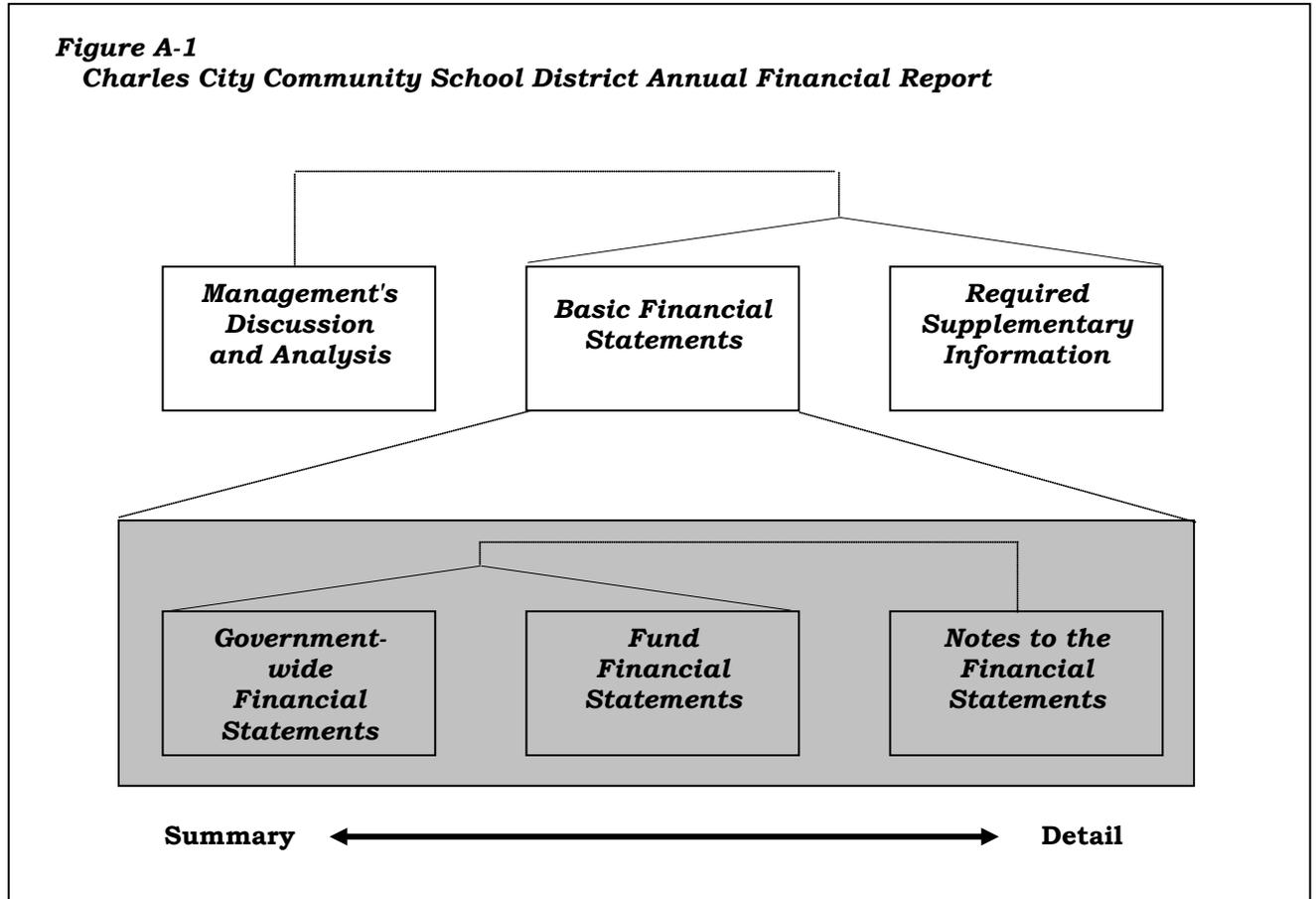


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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.

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To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
  - Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

- Agency Fund - These are funds for which the District administers and accounts for District employee purchases of pop and related expenditures.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 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	\$ 13,061,610	11,486,098	212,928	211,701	13,274,538	11,697,799	13.48%
Capital assets	4,911,592	5,097,695	110,252	67,998	5,021,844	5,165,693	-2.78%
Total assets	17,973,202	16,583,793	323,180	279,699	18,296,382	16,863,492	8.50%
Long-term obligations	132,136	441,418	4,317	3,102	136,453	444,520	-69.30%
Other liabilities	8,042,624	7,648,693	69,522	59,403	8,112,146	7,708,096	5.24%
Total liabilities	8,174,760	8,090,111	73,839	62,505	8,248,599	8,152,616	1.18%
Net assets:							
Invested in capital assets, net of related debt	4,911,592	5,097,695	110,252	67,998	5,021,844	5,165,693	-2.78%
Restricted	2,522,588	1,546,717	0	0	2,522,588	1,546,717	63.09%
Unrestricted	2,364,262	1,849,270	139,089	149,196	2,503,351	1,998,466	25.26%
Total net assets	\$ 9,798,442	8,493,682	249,341	217,194	10,047,783	8,710,876	15.35%

The District's combined net assets increased by 15.35%, or \$1,336,907, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 63.09%, or \$975,871, over the prior year. The increase was primarily a result of an increase in the carryover balances of state categorical funding as well as increases in the Capital Project accounts.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$504,885, or 25.26%. The increase in unrestricted net assets is primarily the result of the increase in fund balance for the General Fund.

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 School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
<b>Revenues &amp; Transfers:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 674,849	665,922	364,336	388,591	1,039,185	1,054,513	-1.45%
Operating grants and contributions and restricted interest	1,719,114	3,926,253	499,388	485,835	2,218,502	4,412,088	-49.72%
Capital grants and contributions and restricted interest	40,184	21,756	0	0	40,184	21,756	84.70%
<b>General revenues:</b>							
Property tax	5,717,222	4,820,123	0	0	5,717,222	4,820,123	18.61%
Income surtax	623,176	679,371	0	0	623,176	679,371	-8.27%
Statewide sales, services and use tax	1,019,071	970,134	0	0	1,019,071	970,134	5.04%
Unrestricted state grants	7,675,152	5,647,780	0	0	7,675,152	5,647,780	35.90%
Non specific federal grants	478,228	0	0	0	478,228	0	0.00%
Unrestricted investment earnings	25,745	27,109	1,162	1,014	26,907	28,123	-4.32%
Other	349,259	256,225	6,324	3,299	355,583	259,524	37.01%
Transfers	(6,737)	(5,931)	6,737	5,931	0	0	0.00%
<b>Total revenues &amp; transfers</b>	<b>18,315,263</b>	<b>17,008,742</b>	<b>877,947</b>	<b>884,670</b>	<b>19,193,210</b>	<b>17,893,412</b>	<b>7.26%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	10,949,166	11,541,985	0	0	10,949,166	11,541,985	-5.14%
Support services	5,109,215	4,794,664	36,720	36,977	5,145,935	4,831,641	6.50%
Non-instructional programs	20,212	14,230	809,080	792,360	829,292	806,590	2.81%
Other expenses	931,910	1,594,117	0	0	931,910	1,594,117	-41.54%
<b>Total expenses</b>	<b>17,010,503</b>	<b>17,944,996</b>	<b>845,800</b>	<b>829,337</b>	<b>17,856,303</b>	<b>18,774,333</b>	<b>-4.89%</b>
Changes in net assets	1,304,760	(936,254)	32,147	55,333	1,336,907	(880,921)	-251.76%
Beginning net assets, as restated	8,493,682	9,429,936	217,194	161,861	8,710,876	9,591,797	-9.18%
Ending net assets	\$ 9,798,442	8,493,682	249,341	217,194	10,047,783	8,710,876	15.35%

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 82.09% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.38% of the revenue from business type activities.

The District's total revenues were approximately \$19.19 million of which approximately \$18.31 million was for governmental activities and slightly less than \$0.88 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.26% increase in revenues and a 4.89% decrease in expenses. Property tax increased \$897,099 to fund increases in expenditures. The decrease in expenses related to the decrease in the instructional program and other expenses functional area.

#### **Governmental Activities**

Revenues for governmental activities were \$18,315,263 and expenses were \$17,010,503.

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	\$ 10,949,166	11,541,985	-5.14%	9,370,105	7,685,643	21.92%
Support services	5,109,215	4,794,664	6.56%	4,956,013	4,757,354	4.18%
Non-instructional programs	20,212	14,230	42.04%	20,212	14,230	42.04%
Other expenses	931,910	1,594,117	-41.54%	230,026	873,838	100.00%
Totals	\$ 17,010,503	17,944,996	-5.21%	14,576,356	13,331,065	9.34%

- The cost financed by users of the District's programs was \$674,849.
- Federal and state governments, as well as local citizens, subsidized certain programs with grants and contributions totaling \$1,759,298.
- The net cost of governmental activities was financed with \$5,717,222 in property tax, \$623,176 in income surtax, \$1,019,071 in statewide sales, services and use tax, \$7,675,152 in unrestricted state grants, \$478,228 in non-specific federal grants, \$25,745 in interest income and \$342,522 in other general revenues net of transfers.

### Business type Activities

Revenues of the District's business type activity were \$877,947 net of transfers and expenses were \$845,800. 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.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,105,999, well above last year's ending fund balances of \$2,499,979. The primary reason for the increase in combined fund balance in fiscal 2011 is due to the increases in General Fund and Capital Projects accounts balances.

### Governmental Fund Highlights

- The District's General Fund balance increased from \$991,288 in fiscal 2010 to \$1,866,462 in fiscal 2011. The fluctuation in the District's General Fund financial position is the product of many factors. Increase in local and state revenue led to an increase in revenues. The decrease in expenditures was due to the reductions of the expenditures in the instructional and support services functional areas. Revenues exceeded expenditures ensuring the increase in the District's financial position.
- The Capital Projects Fund now includes the Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund due to the reclassification by GASB 54. In previous years Physical Plant and Equipment Levy Fund was not part of Capital Projects. The Capital Projects accounts balance overall increased from \$1,070,024 in fiscal 2010 to \$1,857,687 in fiscal 2011. Revenues for the Capital Projects accounts increased by \$128,513

or 8.18% and expenditures decreased by \$667,445 or 42.03%. The increase in revenues was primarily due to the increased sales tax revenues received by the District.

### Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$217,194 at June 30, 2010 to \$249,341 at June 30, 2011, representing an increase of 14.80%.

### BUDGETARY HIGHLIGHTS

The District's revenues were \$292,792 less than budgeted revenues, a variance of 1.50%. Even though local and state revenues increased in fiscal year 2011, a reduction in federal resources caused the total amount received to be less than originally anticipated.

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

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2011, the District had invested \$5,021,844, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.78% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$390,966.

The original cost of the District's capital assets was \$14,374,846. Governmental funds account for \$13,840,225 with the remainder of \$534,621 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$582,106 at June 30, 2010 as compared to \$626,029 at June 30, 2011. The primary reason for the increase is due to the addition of two buses plus other additional equipment for the District.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 325,000	325,000	0	0	325,000	325,000	0.00%
Buildings	3,960,563	4,190,589	0	0	3,960,563	4,190,589	-5.49%
Machinery and equipment	626,029	582,106	110,252	67,998	736,281	650,104	13.26%
Total	\$ 4,911,592	5,097,695	110,252	67,998	5,021,844	5,165,693	-2.78%

#### Long-Term Debt

At June 30, 2011, the District had \$136,453 in compensated absences and other long-term debt outstanding. (See Figure A-7) This amount represents a net decrease of 69.30% from last year.

More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had \$56,676 in compensated absences payable from the General Fund and \$1,822 payable from the Nutrition Fund at June 30, 2011.

The District has a net OPEB liability of \$75,460 in the governmental activities and \$2,495 in the business type activities.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Early Retirement	0	255,373	0	0	0	255,373	-100.00%
Compensated Absences	56,676	58,246	1,822	0	58,498	58,246	0.43%
Net OPEB Liability	75,460	127,799	2,495	3,102	77,955	130,901	-40.45%
Total	\$ 132,136	441,418	4,317	3,102	136,453	444,520	-69.30%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The national recession that has adversely impacted the state of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid (allowable growth) to schools will be based on the condition of the state and national economies. Given the current financial status of the State of Iowa, there is a possibility that the state aid rate will be reduced for the fiscal 2012 year.
- On July 1, 2011, the IPERS increase to 8.07% will increase the Charles City Community Schools employer benefit costs during fiscal 2012. An additional increase to 8.67% is anticipated for fiscal year 2013.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Terri O'Brien, Business Manager, Charles City Community School District, 500 North Grand Avenue, Charles City, Iowa, 51442.



BASIC FINANCIAL STATEMENTS

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 5,696,292	183,838	5,880,130
<b>Receivables:</b>			
Property tax:			
Delinquent	78,013	0	78,013
Succeeding year	5,985,774	0	5,985,774
Income surtax	651,478	0	651,478
Interfund	2,880	(2,880)	0
Accounts	24,498	270	24,768
Due from other governments	649,129	6,143	655,272
Inventories	0	25,557	25,557
Capital assets, net of accumulated depreciation	4,911,592	110,252	5,021,844
<b>Total assets</b>	<b>17,999,656</b>	<b>323,180</b>	<b>18,322,836</b>
<b>Liabilities</b>			
Accounts payable	235,403	1,289	236,692
Salaries and benefits payable	1,527,835	56,284	1,584,119
Incurred but not reported claims	293,100	0	293,100
<b>Deferred revenue:</b>			
Succeeding year property tax	5,985,774	0	5,985,774
Other	26,966	0	26,966
Unearned revenue	0	11,949	11,949
<b>Long-term liabilities:</b>			
Portion due within one year:			
Compensated absences	56,676	1,822	58,498
Portion due after one year:			
Net OPEB liability	75,460	2,495	77,955
<b>Total liabilities</b>	<b>8,201,214</b>	<b>73,839</b>	<b>8,275,053</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	4,911,592	110,252	5,021,844
<b>Restricted for:</b>			
Categorical funding	283,051	0	283,051
Management levy	123,537	0	123,537
Student activities	258,313	0	258,313
School infrastructure	1,527,149	0	1,527,149
Physical plant and equipment levy	330,538	0	330,538
Unrestricted	2,364,262	139,089	2,503,351
<b>Total net assets</b>	<b>\$ 9,798,442</b>	<b>249,341</b>	<b>10,047,783</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 5,985,576	272,032	280,562	0	(5,432,982)	0	(5,432,982)
Special	2,532,775	88,813	195,023	0	(2,248,939)	0	(2,248,939)
Other	2,430,815	304,183	438,448	0	(1,688,184)	0	(1,688,184)
	<u>10,949,166</u>	<u>665,028</u>	<u>914,033</u>	<u>0</u>	<u>(9,370,105)</u>	<u>0</u>	<u>(9,370,105)</u>
Support services:							
Student	509,988	0	601	0	(509,387)	0	(509,387)
Instructional staff	800,032	0	10,666	0	(789,366)	0	(789,366)
Administration	1,468,776	0	33,856	0	(1,434,920)	0	(1,434,920)
Operation and maintenance of plant	1,830,910	0	0	40,184	(1,790,726)	0	(1,790,726)
Transportation	499,509	9,821	58,074	0	(431,614)	0	(431,614)
	<u>5,109,215</u>	<u>9,821</u>	<u>103,197</u>	<u>40,184</u>	<u>(4,956,013)</u>	<u>0</u>	<u>(4,956,013)</u>
Non-instructional programs:							
Food service operations	20,212	0	0	0	(20,212)	0	(20,212)
Other expenses:							
AEA flowthrough	701,884	0	701,884	0	0	0	0
Depreciation(unallocated)*	230,026	0	0	0	(230,026)	0	(230,026)
	<u>931,910</u>	<u>0</u>	<u>701,884</u>	<u>0</u>	<u>(230,026)</u>	<u>0</u>	<u>(230,026)</u>
Total governmental activities	<u>17,010,503</u>	<u>674,849</u>	<u>1,719,114</u>	<u>40,184</u>	<u>(14,576,356)</u>	<u>0</u>	<u>(14,576,356)</u>
Business Type activities:							
Support services:							
Administration	24,357	0	0	0	0	(24,357)	(24,357)
Operation and maintenance of plant	12,363	0	0	0	0	(12,363)	(12,363)
	<u>36,720</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(36,720)</u>	<u>(36,720)</u>
Non-instructional programs:							
Nutrition services	809,080	364,336	499,388	0	0	54,644	54,644
Total business type activities	<u>845,800</u>	<u>364,336</u>	<u>499,388</u>	<u>0</u>	<u>0</u>	<u>17,924</u>	<u>17,924</u>
Total	<u>\$ 17,856,303</u>	<u>1,039,185</u>	<u>2,218,502</u>	<u>40,184</u>	<u>(14,576,356)</u>	<u>17,924</u>	<u>(14,558,432)</u>
<b>General Revenues &amp; Transfers:</b>							
Property tax levied for:							
General purposes				\$ 5,324,476	0	5,324,476	
Capital outlay				392,746	0	392,746	
Income surtax				623,176	0	623,176	
Statewide sales, services and use tax				1,019,071	0	1,019,071	
Unrestricted state grants				7,675,152	0	7,675,152	
Non specific federal grants				478,228	0	478,228	
Unrestricted investment earnings				25,745	1,162	26,907	
Other				349,259	6,324	355,583	
Transfers				(6,737)	6,737	0	
Total general revenues and transfers				<u>15,881,116</u>	<u>14,223</u>	<u>15,895,339</u>	
Changes in net assets				1,304,760	32,147	1,336,907	
Net assets beginning of year				8,493,682	217,194	8,710,876	
Net assets end of year				<u>\$ 9,798,442</u>	<u>249,341</u>	<u>10,047,783</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 3,116,601	1,655,947	379,996	5,152,544
<b>Receivables:</b>				
Property tax:				
Delinquent	67,691	5,176	5,146	78,013
Succeeding year	5,259,789	425,985	300,000	5,985,774
Income surtax	434,319	217,159	0	651,478
Interfund	2,880	0	0	2,880
Due from other governments	407,787	241,340	2	649,129
<b>Total assets</b>	<b>\$ 9,289,067</b>	<b>2,545,607</b>	<b>685,144</b>	<b>12,519,818</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 187,333	44,776	3,294	235,403
Salaries and benefits payable	1,514,198	0	0	1,514,198
<b>Deferred revenue:</b>				
Succeeding year property tax	5,259,789	425,985	300,000	5,985,774
Income surtax	434,319	217,159	0	651,478
Other	26,966	0	0	26,966
<b>Total liabilities</b>	<b>7,422,605</b>	<b>687,920</b>	<b>303,294</b>	<b>8,413,819</b>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Categorical funding	283,051	0	0	283,051
Management levy purposes	0	0	123,537	123,537
Student activities	0	0	258,313	258,313
School infrastructure	0	1,527,149	0	1,527,149
Physical plant and equipment	0	330,538	0	330,538
Committed for instructional support levy purchases	339,593	0	0	339,593
Unassigned	1,243,818	0	0	1,243,818
<b>Total fund balances</b>	<b>1,866,462</b>	<b>1,857,687</b>	<b>381,850</b>	<b>4,105,999</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,289,067</b>	<b>2,545,607</b>	<b>685,144</b>	<b>12,519,818</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$ 4,105,999
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	4,911,592
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	261,509
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	651,478
Long-term liabilities, including early retirement payable, compensated absences payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(132,136)
<b>Net assets of governmental activities(page 18)</b>	<u><u>\$ 9,798,442</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 5,374,186	1,624,750	376,156	7,375,092
Tuition	309,235	0	0	309,235
Other	434,446	51,683	325,105	811,234
State sources	8,548,675	289	299	8,549,263
Federal sources	1,292,799	0	0	1,292,799
<b>Total revenues</b>	<b>15,959,341</b>	<b>1,676,722</b>	<b>701,560</b>	<b>18,337,623</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	5,648,169	0	261,283	5,909,452
Special	2,532,775	0	0	2,532,775
Other	2,179,812	0	265,818	2,445,630
	<b>10,360,756</b>	<b>0</b>	<b>527,101</b>	<b>10,887,857</b>
Support services:				
Student	496,234	0	19,481	515,715
Instructional staff	699,222	91,749	4,012	794,983
Administration	1,372,679	21,187	64,209	1,458,075
Operation and maintenance of plant	1,059,582	48,317	79,908	1,187,807
Transportation	410,560	112,600	19,466	542,626
	<b>4,038,277</b>	<b>273,853</b>	<b>187,076</b>	<b>4,499,206</b>
Non-instructional programs:				
Food service operations	0	0	10,193	10,193
Other expenditures:				
Facilities acquisitions	0	646,726	0	646,726
AEA flowthrough	701,884	0	0	701,884
	<b>701,884</b>	<b>646,726</b>	<b>0</b>	<b>1,348,610</b>
<b>Total expenditures</b>	<b>15,100,917</b>	<b>920,579</b>	<b>724,370</b>	<b>16,745,866</b>
Excess(Deficiency) of revenues over(under)expenditures	858,424	756,143	(22,810)	1,591,757
Other financing sources(uses):				
Transfer in	2,764	22,661	1,548	26,973
Transfer out	(7,014)	0	(26,696)	(33,710)
Sale of equipment	21,000	0	0	21,000
<b>Total other financing sources(uses)</b>	<b>16,750</b>	<b>22,661</b>	<b>(25,148)</b>	<b>14,263</b>
Net change in fund balances	875,174	778,804	(47,958)	1,606,020
Fund balance beginning of year, as restated	991,288	1,078,883	429,808	2,499,979
Fund balance end of year	<b>\$ 1,866,462</b>	<b>1,857,687</b>	<b>381,850</b>	<b>4,105,999</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22)		\$ 1,606,020
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were exceeded by depreciation expense in the current year, as follows:		
Expenditures for capital assets	\$ 191,600	
Depreciation expense	<u>(377,703)</u>	(186,103)
 Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.		
		(408,816)
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(15,623)
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early retirement	\$ 255,373	
Compensated absences	1,570	
Other postemployment benefits	<u>52,339</u>	<u>309,282</u>
 Changes in net assets of governmental activities(page 19)		 <u>\$ 1,304,760</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Current assets:		
Cash and pooled investments	\$ 183,838	543,748
Accounts receivable	270	24,498
Due from other governments	6,143	0
Inventories	25,557	0
Total current assets	<u>215,808</u>	<u>568,246</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	110,252	0
Total non-current assets	<u>110,252</u>	<u>0</u>
Total assets	<u>326,060</u>	<u>568,246</u>
Liabilities		
Current liabilities:		
Interfund payable	2,880	0
Accounts payable	1,289	0
Salaries and benefits payable	56,284	13,637
Incurred but not reported claims	0	293,100
Unearned revenue	11,949	0
Total current liabilities	<u>72,402</u>	<u>306,737</u>
Long-term liabilities:		
Compensated absences	1,822	0
Net OPEB liability	2,495	0
Total long-term liabilities	<u>4,317</u>	<u>0</u>
Total liabilities	<u>76,719</u>	<u>306,737</u>
Net Assets		
Invested in capital assets	110,252	0
Unrestricted	139,089	261,509
Total net assets	<u>\$ 249,341</u>	<u>261,509</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 364,336	0
Miscellaneous	6,324	1,803,809
Total operating revenues	<u>370,660</u>	<u>1,803,809</u>
Operating expenses		
Support services:		
Administration services:		
Salaries	16,018	0
Benefits	7,540	0
Services	799	2,216,695
Other	0	499
	<u>24,357</u>	<u>2,217,194</u>
Operation and maintenance of plant:		
Services	1,417	0
Supplies	10,946	0
	<u>12,363</u>	<u>0</u>
Total support services	<u>36,720</u>	<u>2,217,194</u>
Non-instructional programs:		
Food service operations:		
Salaries	319,756	0
Benefits	97,863	0
Services	10,038	0
Supplies	368,160	0
Depreciation	13,263	0
Total non-instructional programs	<u>809,080</u>	<u>0</u>
Total operating expenses	<u>845,800</u>	<u>2,217,194</u>
Operating loss	<u>(475,140)</u>	<u>(413,385)</u>
Non-operating revenues:		
State sources	8,000	0
Federal sources	491,388	0
Interest income	1,162	4,569
Total non-operating revenues	<u>500,550</u>	<u>4,569</u>
Change in net assets before other financing sources(uses)	25,410	(408,816)
Other financing sources(uses):		
Transfer in	7,813	0
Transfer out	(1,076)	0
Total other financing sources(uses)	<u>6,737</u>	<u>0</u>
Changes in net assets	32,147	(408,816)
Net assets beginning of year	<u>217,194</u>	<u>670,325</u>
Net assets end of year	<u>\$ 249,341</u>	<u>261,509</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 367,884	0
Cash received from miscellaneous operating activities	6,324	1,779,311
Cash payments to employees for services	(433,796)	0
Cash payments to suppliers for goods or services	(331,001)	(2,186,141)
Net cash used in operating activities	<u>(390,589)</u>	<u>(406,830)</u>
Cash flows from non-capital financing activities:		
Borrowings from General Fund	1,550	0
Transfers to/from General Fund	4,390	0
Transfer from Activity Fund	2,347	0
State grants received	8,000	0
Federal grants received	435,989	0
Net cash provided by non-capital financing activities	<u>452,276</u>	<u>0</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(55,517)	0
Cash flows from investing activities:		
Interest on investments	1,162	4,569
Net increase(decrease) in cash and cash equivalents	7,332	(402,261)
Cash and cash equivalents at beginning of year	176,506	946,009
Cash and cash equivalents at end of year	<u>\$ 183,838</u>	<u>543,748</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (475,140)	(413,385)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	56,232	0
Depreciation	13,263	0
Decrease in inventories	3,260	0
Decrease(Increase) in accounts receivable	462	(24,498)
Increase(Decrease) in accounts payable	867	(43,797)
Increase in salaries and benefits payable	7,988	2,350
Increase in incurred but not reported claims	0	72,500
Increase in unearned revenue	1,264	0
Increase in compensated absences	1,822	0
Decrease in other postemployment benefits	(607)	0
Net cash used in operating activities	<u>\$ (390,589)</u>	<u>(406,830)</u>

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$56,232.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 256,643	1,938
Interest receivable	394	0
Total assets	<u>257,037</u>	<u>1,938</u>
Liabilities		
Due to other groups	<u>0</u>	<u>1,938</u>
Net Assets		
Reserved for scholarships	225,650	0
Unreserved	31,387	0
Total net assets	<u>\$ 257,037</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 10,404
Contributions	1,500
Total additions	<u>11,904</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>13,275</u>
Change in net assets	(1,371)
Net assets beginning of year	<u>258,408</u>
Net assets end of year	<u>\$ 257,037</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

The Charles City Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served primarily includes the City of Charles City, Iowa, and the predominate agricultural territory of Floyd and Chickasaw Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. 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 utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District also reports two non-major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is used to account for the self-funded employee health insurance plan of the District and the employee's flexible spending plan. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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 during the fiscal year on a cash basis. At the end of the fiscal year, for reporting purposes, the District prepares the financial statements on an accrual basis by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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	\$ 2,000
Buildings	2,000
Land improvements	2,000
Intangibles	125,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund 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.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

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, 2010 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Government Obligations Portfolio which are valued at an amortized cost of \$11,837 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**(3) 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
Nutrition	General	\$ 2,880

The Nutrition Fund is repaying the General Fund for garbage disposal, water, and gas expenses.

**(4) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Activity	General	\$ 1,548
Capital Projects:		
Statewide Sales, Services and Use Tax	Activity	22,661
General	Nutrition	1,076
General	Activity	1,662
General	Management	26
Nutrition	General	5,466
Nutrition	Activity	<u>2,347</u>
Total		<u>\$ 34,786</u>

The transfer from the General Fund to the Activity Fund was for reclassification of expenses from the prior year that were coded incorrectly and for expenses related to the student run carnival.

The transfer from the Activity Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund was reclassification of donations from the Booster Club and a portion of concession proceeds that was intended for construction of a new concession stand.

The transfer from the Nutrition Fund to the General Fund was for summer food program utilities expenses and team nutrition expenses for student nutrition activities.

The transfer from the Activity Fund to the General Fund was for payment of transportation expenses for activity groups.

The transfer from the Management Levy Fund to the General Fund was for reclassification of revenues received from the collection of Cobra administration fees received from retirees.

The transfer from the General Fund to the Nutrition Fund was for payment of meals served by the Nutrition Fund staff for foster grandparent meals and other functions during the year.

The transfer from the Activity Fund to the Nutrition Fund was for expenses related to meals served for activity fund trips and award banquets.

(5) **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	\$ 325,000	0	0	325,000
Total capital assets not being depreciated	<u>325,000</u>	<u>0</u>	<u>0</u>	<u>325,000</u>
Capital assets being depreciated:				
Buildings	11,303,118	0	0	11,303,118
Machinery and equipment	2,055,952	191,600	35,445	2,212,107
Total capital assets being depreciated	<u>13,359,070</u>	<u>191,600</u>	<u>35,445</u>	<u>13,515,225</u>
Less accumulated depreciation for:				
Buildings	7,112,529	230,026	0	7,342,555
Machinery and equipment	1,473,846	147,677	35,445	1,586,078
Total accumulated depreciation	<u>8,586,375</u>	<u>377,703</u>	<u>35,445</u>	<u>8,928,633</u>
Total capital assets being depreciated, net	<u>4,772,695</u>	<u>(186,103)</u>	<u>0</u>	<u>4,586,592</u>
Governmental activities capital assets, net	<u>\$ 5,097,695</u>	<u>(186,103)</u>	<u>0</u>	<u>4,911,592</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 507,143	55,517	28,039	534,621
Less accumulated depreciation	439,145	13,263	28,039	424,369
Business type activities capital assets, net	<u>\$ 67,998</u>	<u>42,254</u>	<u>0</u>	<u>110,252</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 38,911
Support services:	
Instructional staff	3,061
Administration	10,418
Operation and maintenance	16,263
Transportation	79,024
	<u>147,677</u>
Unallocated depreciation	<u>230,026</u>
Total governmental activities depreciation expense	<u>\$ 377,703</u>
Business type activities:	
Food services	<u>\$ 13,263</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Early Retirement	\$ 255,373	0	255,373	0	0
Compensated Absences	58,246	56,676	58,246	56,676	56,676
Net OPEB Liability	127,799	0	52,339	75,460	0
Total	\$ 441,418	56,676	365,958	132,136	56,676
	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business Type Activities:					
Compensated Absences	\$ 0	1,822	0	1,822	0
Net OPEB Liability	3,102	0	607	2,495	0
Total	3,102	1,822	607	4,317	0

Early Retirement

The District offered a voluntary early retirement plan to administrators/directors as well as professional employees included in the Charles City Educational Association's collective bargaining agreement during fiscal 2010 for benefits to be paid in fiscal 2011. The District offers the early retirement plan on a year by year basis as needed. The District did not offer the early retirement plan in fiscal year 2011 that would be payable in fiscal year 2012.

Under the plan offered by the District in fiscal year 2010 for benefits payable in fiscal year 2011, employees were eligible for early retirement benefits after completing ten years of full-time service with the school district and was at least fifty-five years old as of June 30 of the school year in which the employee had applied for early retirement benefits. Eligible employees needed to complete an application which was required to be approved by the Board of Education.

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

The early retirement benefit was placed into a District sponsored 403(b) plan on or before January 20<sup>th</sup> in the year after the employee retired from the District.

Upon retirement, fiscal year 2010 retirees were eligible to continue participation in the District's group insurance plan. The District paid the cost of the single premium to each retiree. Insurance coverage will be provided for five years after the date of retirement. During the five year period, the District paid portion will cease when retirees reach Medicare eligibility, secures other employment in which insurance

coverage is provided or dies. After five years, or if one of the above provisions occurs, the retiree can elect to continue participation in the District's health insurance program at the retiree's own cost.

**(7) 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 salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$670,209, \$673,693, and \$622,114 respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 175 active and 44 retired members in the plan.

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

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

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

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

Annual required contribution	\$ 119,882
Interest on net OPEB obligation	3,273
Adjustment to annual required contribution	(77,016)
Annual OPEB cost	<u>46,139</u>
Amortization of unfunded actuarial accrued liability	(99,085)
Increase in net OPEB obligation	<u>(52,946)</u>
Net OPEB obligation - beginning of year	<u>130,901</u>
Net OPEB obligation - end of year	<u><u>\$ 77,955</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2011.

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	\$ 111,301	41.17%	\$ 130,901
2011	46,139	214.75%	77,955

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1.177 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.18 million. The covered payroll (annual payroll of active employees covered by the plan) was \$8.293 million, and the ratio of the UAAL to the covered payroll was 14.2%. 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. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that

are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The health cost trend rate for basis of the actuarial was 6% per year.

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

The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$261,509 at June 30, 2011. The incurred but not recorded and unpaid claims liability of \$293,100 reported in the plan at June 30, 2011 based on the requirements of GASB Statement Number 10, is set up as a liability on the statement of net assets.

In addition, the District is exposed to various risks to loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) 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 \$701,884 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.

**(11) Categorical Funding**

The District's ending reserved balances for categorical funding as of June 30, 2011 are broken out by the following projects:

Project	Amount
Home school assistance program	\$ 50,083
Dropout prevention	68,283
Gifted and talented	13,316
Market factor	742
Statewide voluntary preschool	19,168
Textbook aid - non public students	3,191
Learning connections program	4,385
Model core curriculum	65,717
Professional development	46,846
Market factor incentives	11,320
Total	<u>\$ 283,051</u>

**(12) 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:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 1,070,024	8,859
Change in fund type classification per implementation of GASB Statement No. 54	8,859	(8,859)
Balances July 1, 2010, as restated	<u>\$ 1,078,883</u>	<u>-</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 8,495,561	371,822	8,867,383	8,857,494	8,857,494	9,889
State sources	8,549,263	8,000	8,557,263	9,154,131	9,154,131	(596,868)
Federal sources	1,292,799	491,388	1,784,187	1,490,000	1,490,000	294,187
Total revenues	<u>18,337,623</u>	<u>871,210</u>	<u>19,208,833</u>	<u>19,501,625</u>	<u>19,501,625</u>	<u>(292,792)</u>
<b>Expenditures/Expenses:</b>						
Instruction	10,887,857	0	10,887,857	12,197,550	12,197,550	1,309,693
Support services	4,499,206	36,720	4,535,926	4,730,500	4,730,500	194,574
Non-instructional programs	10,193	809,080	819,273	975,000	975,000	155,727
Other expenditures	1,348,610	0	1,348,610	3,313,084	3,313,084	1,964,474
Total expenditures/expenses	<u>16,745,866</u>	<u>845,800</u>	<u>17,591,666</u>	<u>21,216,134</u>	<u>21,216,134</u>	<u>3,624,468</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,591,757	25,410	1,617,167	(1,714,509)	(1,714,509)	3,331,676
Other financing sources, net	14,263	6,737	21,000	2,500	2,500	18,500
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,606,020	32,147	1,638,167	(1,712,009)	(1,712,009)	3,350,176
Balance beginning of year	2,499,979	217,194	2,717,173	3,274,950	3,274,950	557,777
Balance end of year	<u>\$ 4,105,999</u>	<u>249,341</u>	<u>4,355,340</u>	<u>1,562,941</u>	<u>1,562,941</u>	<u>3,907,953</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2009	July 1, 2008	\$ -	\$ 1,079	\$ 1,079	0.0%	\$ 8,794	12.3%
2010	July 1, 2008	\$ -	\$ 1,079	\$ 1,079	0.0%	\$ 9,087	11.9%
2011	July 1, 2010	\$ -	\$ 1,177	\$ 1,177	0.0%	\$ 8,293	14.2%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 118,389	261,607	379,996
Receivables:			
Property tax			
Delinquent	5,146	0	5,146
Succeeding year	300,000	0	300,000
Due from other governments	2	0	2
Total assets	<u>\$ 423,537</u>	<u>261,607</u>	<u>685,144</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 0	3,294	3,294
Deferred revenue:			
Succeeding year property tax	300,000	0	300,000
Total liabilities	<u>300,000</u>	<u>3,294</u>	<u>303,294</u>
Fund Balances:			
Restricted for:			
Management levy purpose	123,537	0	123,537
Student activities	0	258,313	258,313
Total fund balances	<u>123,537</u>	<u>258,313</u>	<u>381,850</u>
Total liabilities and fund balances	<u>\$ 423,537</u>	<u>261,607</u>	<u>685,144</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 376,156	0	376,156
Other	19,287	305,818	325,105
State sources	299	0	299
Total revenues	<u>395,742</u>	<u>305,818</u>	<u>701,560</u>
Expenditures:			
Current:			
Instruction:			
Regular	261,283	0	261,283
Other	0	265,818	265,818
Support services:			
Student	19,481	0	19,481
Instructional staff	4,012	0	4,012
Administration	57,766	6,443	64,209
Operation and maintenance of plant	79,908	0	79,908
Transportation	15,891	3,575	19,466
Non-instructional programs:			
Food service operations	10,193	0	10,193
Total expenditures:	<u>448,534</u>	<u>275,836</u>	<u>724,370</u>
Excess(Deficiency) of revenues over(under) expenditures	(52,792)	29,982	(22,810)
Other financing sources(uses):			
Transfer in	0	1,548	1,548
Transfer out	(26)	(26,670)	(26,696)
Total other financing sources(uses)	<u>(26)</u>	<u>(25,122)</u>	<u>(25,148)</u>
Net change in fund balances	(52,818)	4,860	(47,958)
Fund balance beginning of year, as restated	<u>176,355</u>	<u>253,453</u>	<u>429,808</u>
Fund balance end of year	<u>\$ 123,537</u>	<u>258,313</u>	<u>381,850</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,292,779	363,168	1,655,947
Receivables:			
Property tax			
Delinquent	0	5,176	5,176
Succeeding year	0	425,985	425,985
Income surtax	0	217,159	217,159
Due from other governments	241,338	2	241,340
Total assets	<u>\$ 1,534,117</u>	<u>1,011,490</u>	<u>2,545,607</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 6,968	37,808	44,776
Deferred revenue:			
Succeeding year property tax	0	425,985	425,985
Income surtax	0	217,159	217,159
Total liabilities	<u>6,968</u>	<u>680,952</u>	<u>687,920</u>
Fund Balances:			
Restricted for:			
School infrastructure	1,527,149	0	1,527,149
Physical plant and equipment	0	330,538	330,538
Total fund balances	<u>1,527,149</u>	<u>330,538</u>	<u>1,857,687</u>
Total liabilities and fund balances	<u>\$ 1,534,117</u>	<u>1,011,490</u>	<u>2,545,607</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY 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	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,019,071	605,679	1,624,750
Other	47,990	3,693	51,683
State sources	0	289	289
Total revenues	<u>1,067,061</u>	<u>609,661</u>	<u>1,676,722</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	0	91,749	91,749
Administration	0	21,187	21,187
Operation and maintenance of plant	0	48,317	48,317
Transportation	0	112,600	112,600
Non-instructional programs:			
Other expenditures:			
Facilities acquisition	632,597	14,129	646,726
Total expenditures	<u>632,597</u>	<u>287,982</u>	<u>920,579</u>
Other financing sources:			
Transfer in	22,661	0	22,661
Net change in fund balances	457,125	321,679	778,804
Fund balance beginning of year, as restated	1,070,024	8,859	1,078,883
Fund balance end of year	<u>\$ 1,527,149</u>	<u>330,538</u>	<u>1,857,687</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund and Intrafund Transfers	Balance End of Year
Comet Drama	\$ 1,828	8,191	5,846	(121)	4,052
Speech Club	518	685	1,011	0	192
HS Musical	2,818	0	15	25	2,828
Choir Robes	1,243	28	0	0	1,271
General Vocal Activity	16,186	2,411	1,754	149	16,992
Middle School Musical	10,541	0	0	93	10,634
Marching Band	8,896	10,367	6,421	666	13,508
Jazz Band	2,341	3,080	4,190	(65)	1,166
Music Uniform	5,204	0	624	41	4,621
HS Orchestra	608	570	0	(328)	850
MS Band/Orchestra	123	2,034	2,507	975	625
Sportsman's Park	11,573	16,807	7,926	(13,107)	7,347
Athletic Fund	59,119	90,446	79,879	(2,181)	67,505
Girls Track	5,235	30	2,262	27	3,030
Girls Cross Country	487	0	92	125	520
Boys Cross Country	231	1,830	1,671	(88)	302
Booster Club	42,450	48,234	50,599	(7,842)	32,243
Boys Basketball	142	0	40	(22)	80
Football Club	9,391	22,252	14,657	159	17,145
Baseball Club	13,651	5,360	5,398	370	13,983
Boys Track	1,890	252	547	0	1,595
Girls Basketball	2,772	0	1,455	(64)	1,253
Volleyball Fund	1,874	0	791	179	1,262
Girls Swimming Club	469	602	700	0	371
Annual	7,144	14,541	15,682	53	6,056
HS Cheerleaders	264	3,741	3,456	0	549
Information Tech Club	1,109	0	313	0	796
Alternative HS Annual	31	505	718	250	68
FFA	2,726	29,960	31,236	250	1,700
German Club	5,976	6,276	3,746	(600)	7,906
School Improvement Assistance	2,808	4,214	4,813	(257)	1,952
Cap and Gown Fund	93	3,090	3,569	386	0
Class of 2010	147	0	0	0	147
Class of 2011	648	100	251	0	497
Class of 2012	100	3,371	2,860	0	611
Class of 2013	100	0	0	0	100

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund and Intrafund Transfers	Balance End of Year
Industrial Technology	608	0	0	0	608
FCS Club	879	306	0	0	1,185
HS Interest	1,739	83	95	(386)	1,341
FCCLA	1,211	6,577	5,620	252	2,420
MS Newspaper	3,671	1,230	1,450	31	3,482
MS Student Council	3,567	3,061	2,705	(603)	3,320
MS Interest	3,760	500	124	37	4,173
MS Band Uniform	7,254	0	251	62	7,065
MS Parent Organization	4,486	6,551	4,907	(32)	6,098
Pool Support	3,219	0	0	28	3,247
HS Wrestling	70	0	0	0	70
Interest	0	2,083	0	(2,083)	0
RAGRAI	(325)	5,693	3,867	(1,501)	0
Band Fees	2,578	757	1,788	0	1,547
Total	\$ 253,453	305,818	275,836	(25,122)	258,313

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2011

	Medical	Flex	Total
Assets			
Cash and pooled investments	\$ 530,111	13,637	543,748
Accounts receivable	24,498	0	24,498
Total assets	554,609	13,637	568,246
Liabilities			
Salaries and benefits payable	0	13,637	13,637
Incurred but not reported claims	293,100	0	293,100
Total liabilities	293,100	13,637	306,737
Net Assets			
Unrestricted	261,509	0	261,509
Total net assets	\$ 261,509	0	261,509

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2011

	Medical	Flex	Total
Operating revenues:			
Local sources:			
Miscellaneous	\$ 1,755,749	48,060	1,803,809
Operating expenses:			
Support services:			
Administration services:			
Services	\$ 2,169,134	47,561	2,216,695
Other	0	499	499
Total operating expenses	2,169,134	48,060	2,217,194
Operating loss	(413,385)	0	(413,385)
Non-operating revenues			
Interest income	4,569	0	4,569
Change in net assets	(408,816)	0	(408,816)
Net assets beginning of year	670,325	0	670,325
Net assets end of year	\$ 261,509	0	261,509

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2011

	Medical	Flex	Total
Cash flows from operating activities:			
Cash received from miscellaneous operating activities	\$ 1,731,251	48,060	1,779,311
Cash payments to suppliers for goods or services	(2,140,431)	(45,710)	(2,186,141)
Net cash provided by (used in) operating activities	(409,180)	2,350	(406,830)
Cash flows from investing activities:			
Interest on investments	4,569	0	4,569
Net decrease (increase) in cash and cash equivalents	(404,611)	2,350	(402,261)
Cash and cash equivalents at beginning of year	934,722	11,287	946,009
Cash and cash equivalents at end of year	\$ 530,111	13,637	543,748
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (413,385)	0	(413,385)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Increase in accounts receivable	(24,498)	0	(24,498)
Decrease in accounts payable	(43,797)	0	(43,797)
Increase in salaries and benefits payable	0	2,350	2,350
Increase in incurred but not reported claims	72,500	0	72,500
Net cash used in operating activities	\$ (409,180)	2,350	(406,830)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund									Total
	Davis	Debes	Hagman	Koenigsfeld	Koebrick	Santee	Miller	Miscellaneous	Annual Activities	
	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship		
Assets										
Cash and pooled investments	\$ 35,942	26,601	15,254	23,738	132,736	12,314	4,228	1,824	4,006	256,643
Interest receivable	27	54	33	146	83	45	6	0	0	394
Total assets	35,969	26,655	15,287	23,884	132,819	12,359	4,234	1,824	4,006	257,037
Liabilities	\$ 0	0	0	0	0	0	0	0	0	0
Net Assets										
Reserved for scholarships	35,500	25,005	15,058	23,675	110,000	12,184	4,228	0	0	225,650
Unreserved	469	1,650	229	209	22,819	175	6	1,824	4,006	31,387
Total net assets	\$ 35,969	26,655	15,287	23,884	132,819	12,359	4,234	1,824	4,006	257,037

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund									
	Davis Scholarship	Debes Scholarship	Hagman Scholarship	Koenigsfeld Scholarship	Koebrick Scholarship	Santee Scholarship	Miller Scholarship	Miscellaneous Annual	Activities	Total
Additions:										
Local sources:										
Interest	\$ 1,617	1,230	741	988	5,156	513	145	14	0	10,404
Contributions	0	0	0	0	0	0	0	1,500	0	1,500
Total additions	1,617	1,230	741	988	5,156	513	145	1,514	0	11,904
Deductions:										
Instruction:										
Regular:										
Scholarships awarded	1,600	1,200	750	2,500	5,000	525	0	1,700	0	13,275
Change in net assets	17	30	(9)	(1,512)	156	(12)	145	(186)	0	(1,371)
Net assets beginning of year	35,952	26,625	15,296	25,396	132,663	12,371	4,089	2,010	4,006	258,408
Net assets end of year	\$ 35,969	26,655	15,287	23,884	132,819	12,359	4,234	1,824	4,006	257,037

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 1,838	12,551	12,451	1,938
Total assets	<u>\$ 1,838</u>	<u>12,551</u>	<u>12,451</u>	<u>1,938</u>
<b>Liabilities</b>				
Accounts payable	\$ 229	0	229	0
Due to other groups	1,609	12,551	12,222	1,938
Total liabilities	<u>\$ 1,838</u>	<u>12,551</u>	<u>12,451</u>	<u>1,938</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:										
Local sources:										
Local tax	\$ 7,375,092	6,441,571	6,168,489	5,131,442	4,912,590	4,571,538	4,619,362	4,698,236	5,380,782	5,044,318
Tuition	309,235	326,961	348,519	312,904	396,504	460,364	459,662	371,529	411,057	350,932
Other	811,234	667,496	597,161	1,685,467	1,682,809	1,534,559	1,522,336	1,152,315	649,151	329,513
State sources	8,549,263	7,668,261	8,972,837	8,865,233	8,227,947	7,534,562	7,440,199	7,378,708	7,379,685	7,544,084
Federal sources	1,292,799	1,881,828	857,927	693,981	635,238	616,115	747,219	888,327	618,746	651,809
Total	\$ 18,337,623	16,986,117	16,944,933	16,689,027	15,855,088	14,717,138	14,788,778	14,489,115	14,439,421	13,920,656
Expenditures:										
Instruction:										
Regular	\$ 5,909,452	5,989,758	5,709,435	5,773,206	5,568,168	4,980,929	4,922,245	5,424,786	5,638,456	5,507,917
Special	2,532,775	2,632,367	2,735,995	2,463,608	2,416,275	2,188,725	2,225,711	2,442,470	2,451,812	2,443,104
Other	2,445,630	2,622,592	2,083,600	1,889,948	1,673,997	1,721,394	1,609,656	900,243	880,408	825,838
Support services:										
Student	515,715	535,423	517,097	493,054	455,475	383,759	388,134	396,687	375,504	362,618
Instructional staff	794,983	1,006,347	643,351	619,841	645,251	527,392	504,465	541,940	535,326	457,362
Administration	1,458,075	1,481,525	1,624,194	1,626,294	1,579,486	1,350,392	1,351,384	1,315,514	1,298,973	1,265,647
Operation and maintenance of plant	1,187,807									
Transportation	542,626	1,219,740	1,217,087	1,271,245	1,206,095	1,181,525	1,241,632	1,597,972	1,599,005	1,506,376
Non-instructional programs:	10,193	489,317	468,449	472,789	458,751	435,304	450,365	282,541	314,789	331,802
Other expenditures:										
Facilities acquisitions	646,726	10,470	10,372	28,421	9,210	10,392	6,257	6,436	6,191	12,674
Long-term debt:										
Principal	0	842,263	707,028	834,063	1,045,763	1,547,041	399,303	559,612	249,055	635,485
Interest and fiscal charges	0	250,000	240,000	225,000	215,000	205,000	210,157	204,111	240,635	274,168
AEA flow-through	701,884	13,750	26,710	40,537	50,143	61,828	73,381	84,514	97,470	113,955
Total	\$ 16,745,866	17,792,075	16,584,249	16,315,610	15,867,442	15,096,753	13,883,906	14,267,498	14,221,336	14,274,144

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
DRUG-FREE COMMUNITIES SUPPORT PROGRAM GRANTS	93.276	FY 11	\$ 11,161
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	69,762
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	394,419 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 11	12,626
			<u>476,807</u>
CHILD AND ADULT CARE FOOD PROGRAM	10.558	FY 11	14,089
TEAM NUTRITION GRANTS	10.574	FY 11	492
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1116-G	340,918
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	60,625
			<u>401,543</u>
TECH-PREP EDUCATION (TITLE II)	84.243	FY 10	1,897
TECH-PREP EDUCATION (TITLE II)	84.243	FY 11	17,404
			<u>19,301</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE II A)	84.367	FY 11	96,674
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI)	84.369	FY 11	9,991

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
ARRA STABILIZATION CLUSTER:			
ARRA - STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	84,022
GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	74,944
			<u>158,966</u>
EDUCATION JOBS FUND	84.410	FY 11	<u>319,262</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B SECTION 611 HIGH COST CLAIM)	84.027	FY 11	29,525
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 11	90,278
SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 11	75,220
			<u>195,023</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
CENTERS FOR DISEASE CONTROL AND PREVENTION, INVESTIGATIONS, AND TECHNICAL ASSISTANCE	93.283	FY 11	<u>21,638</u>
MEDICAL ASSISTANCE PROGRAM	93.778	FY 10	<u>554</u>
TOTAL			<u>\$ 1,725,501</u>

\* Includes \$56,232 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Charles City Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 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 Charles City Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Charles City Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Charles City Community School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a 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 Charles City Community School District's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weakness, as defined above.

### Compliance and Other Matters

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

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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.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2012

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
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Telephone (641) 792-1910

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  
Charles City Community School District:

Compliance

We have audited Charles City 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 Charles City Community School District's major federal programs for the year ended June 30, 2011. Charles City Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements or laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Charles City Community School District's management. Our responsibility is to express an opinion on Charles City Community School District's compliance based on our audit.

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

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

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

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

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive style with a large, stylized "N" and "J".

NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2012

CHARLES CITY 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) No material weaknesses 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) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.559 - Summer Food Program for Children
  - Clustered
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
    - CFDA Number 84.389 - Title I - Grants to Local Educational Agencies, Recovery Act
  - Individual
    - CFDA Number 84.410 - Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Charles City Community School District did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-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 during our audit that the District purchased gift cards to give to students as door prizes at a school dance. We also noted the District purchased gift cards to give to volunteer officials at a sporting event. Gift cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will review procedures in place and will make adjustments to comply

Conclusion - Response accepted.

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.

However, we noted during our audit that the District reimbursed an employee for meals purchased for state track participants without turning in a detailed receipt of the purchase to the central office. The District has policy 401.10 in effect for the use of District issued credit cards by employees for necessary expenses incurred while on District business. The policy states that if an employee seeking reimbursement does not provide a detailed receipt to the central office that the expense would become the responsibility of the employee.

Recommendation - Detailed receipts need to be required by District officials to determine with certainty that all aspects of purchases made with District credit cards are truly expenses of the District. The District needs to review procedures in place and review policy 401.10 with employees.

Response - The District always requires detailed receipts from employees when traveling on District business. The instance cited was an isolated occurrence.

Conclusion - Response accepted.

IV-D-11 Business Transactions - No business transactions between the District and District officials were noted.

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 number of non-public students reported was understated by .09.

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

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

Conclusion - Response accepted.

IV-H-11 Supplementary Weighting - No variances in the basic enrollment data 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 being 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 and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax 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		\$ 1,070,024
Revenues/transfers in:		
Sales tax revenues	1,019,071	
Other local revenues	7,806	
Transfers from other funds	22,661	
Other	40,184	1,089,722
		<hr/>
		2,159,746
Expenditures/Transfers out:		
School infrastructure construction	\$ 547,258	
Other	85,339	632,597
		<hr/>
Ending balance		<u><u>\$ 1,527,149</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-N-11 Contracts - We noted during our audit that the contract to provide disc jockey services for a school dance was not signed by the Board President. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendations - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District has required that all building principals have contracts signed by the Board President to be in compliance with Chapter 291.1 of Code of Iowa

Conclusion - Response accepted.