

CHARITON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

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Chariton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Board of Education		
Dave Rich	President	2013
Dr. Craig Scott	Vice-President	2015
Sheila Laing	Board Member	2013
Kellie Gookin	Board Member	2015
Brian Davis	Board Member	2015
School Officials		
Paula Wright	Superintendent	2013
Kelley Reece	Board Secretary/ Business Manager	2013
Michael Carpenter, Webber, Gaumer, & Emanuel, P.C.	Attorney	2013

CHARITON
COMMUNITY SCHOOLS

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Chariton Community School District, Chariton Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Chariton Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chariton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed an unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the lack of capital assets. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular a-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2014 on our consideration of Chariton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports 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.


NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Chariton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$14,341,252 in fiscal 2012 to \$13,743,091 in fiscal 2013 and General Fund expenditures increased from \$13,259,613 in fiscal 2012 to \$13,271,303 in fiscal 2013. The District's General Fund balance increased from \$3,698,236 in fiscal 2012 to a balance of \$4,170,024 in fiscal 2013, a 12.76% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state and federal sources during fiscal 2013. The increase in expenditures was due primarily to an increase in the support services function during fiscal 2013.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

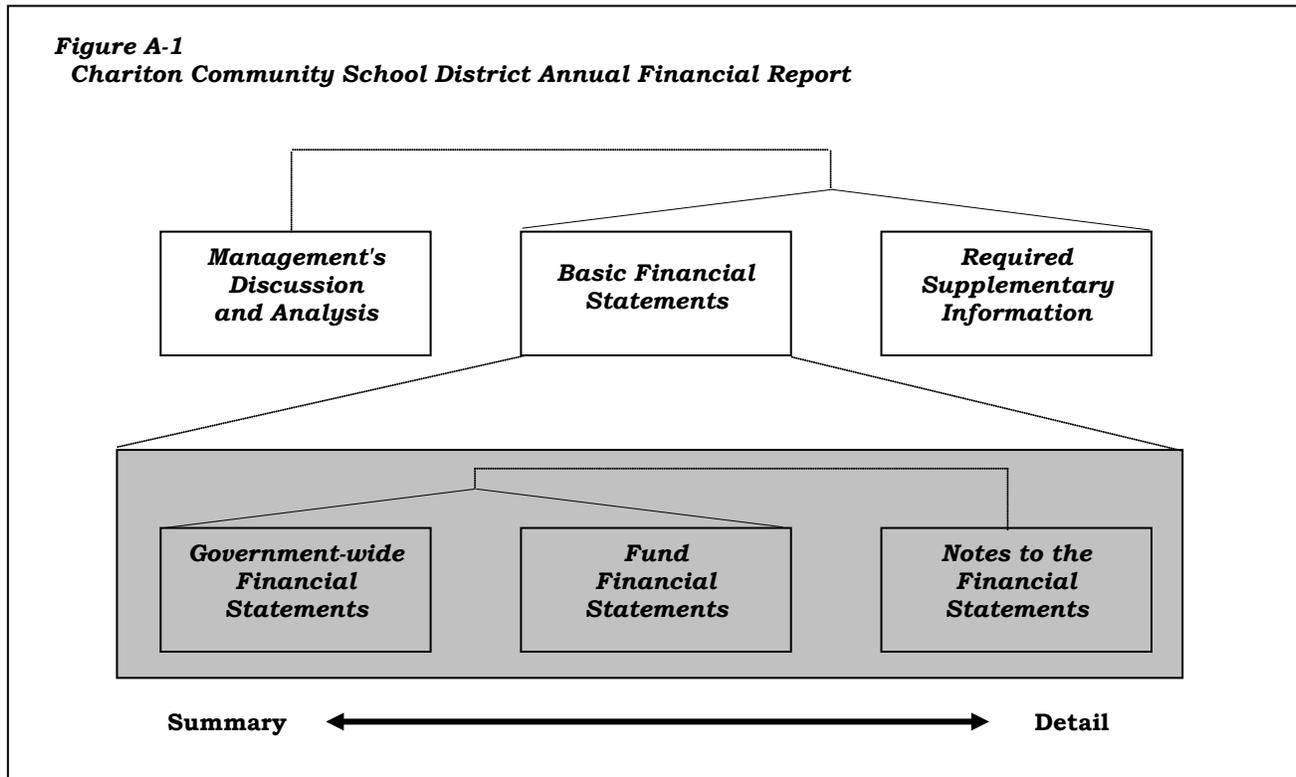


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets 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 position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 15,957,261	15,011,641	95,668	119,283	16,052,929	15,130,924	6.09%
Capital assets	18,371,183	18,109,425	59,290	56,650	18,430,473	18,166,075	1.46%
Total assets	<u>34,328,444</u>	<u>33,121,066</u>	<u>154,958</u>	<u>175,933</u>	<u>34,483,402</u>	<u>33,296,999</u>	<u>3.56%</u>
Long-term liabilities	10,920,120	10,976,677	8,143	4,435	10,928,263	10,981,112	-0.48%
Other liabilities	5,829,440	5,958,872	63,839	58,624	5,893,279	6,017,496	-2.06%
Total liabilities	<u>16,749,560</u>	<u>16,935,549</u>	<u>71,982</u>	<u>63,059</u>	<u>16,821,542</u>	<u>16,998,608</u>	<u>-1.04%</u>
Net position:							
Invested in capital assets, net of related debt	8,811,844	8,366,880	59,290	56,650	8,871,134	8,423,530	5.31%
Restricted	4,613,172	4,218,522	0	0	4,613,172	4,218,522	9.36%
Unrestricted	4,153,868	3,600,115	23,686	56,224	4,177,554	3,656,339	14.26%
Total net position	<u>\$ 17,578,884</u>	<u>16,185,517</u>	<u>82,976</u>	<u>112,874</u>	<u>17,661,860</u>	<u>16,298,391</u>	<u>8.37%</u>

The District's combined net position increased by 8.37% or \$1,363,469 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased \$394,650 or 9.36% from the prior year. The increase was primarily a result of the increase in the amount restricted for school infrastructure and physical plant and equipment levy.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$521,215 or 14.26%. This increase was primarily a result of the increase in the General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues and Transfers							
Program revenues:							
Charges for services	\$ 685,871	665,894	193,572	208,504	879,443	874,398	0.58%
Operating grants and contributions and restricted interest	1,376,371	1,398,198	482,171	455,312	1,858,542	1,853,510	0.27%
Capital grants and contributions and restricted interest	0	11,576	0	25,524	0	37,100	-100.00%
General revenues:							
Property tax	4,177,110	4,076,347	0	0	4,177,110	4,076,347	2.47%
Income surtax	741,615	730,201	0	0	741,615	730,201	1.56%
Statewide sales, services and use tax	1,165,936	1,011,148	0	0	1,165,936	1,011,148	15.31%
Unrestricted state grants	7,812,300	8,114,342	0	0	7,812,300	8,114,342	-3.72%
Nonspecific program federal grants	20,849	249,409	0	0	20,849	249,409	-91.64%
Unrestricted investment earnings	7,673	10,985	2	0	7,675	10,985	-30.13%
Other	351,746	124,762	0	10	351,746	124,772	181.91%
Transfers	(12,120)	0	12,120	0	0	0	0.00%
Total revenues and transfers	<u>16,327,351</u>	<u>16,392,862</u>	<u>687,865</u>	<u>689,350</u>	<u>17,015,216</u>	<u>17,082,212</u>	<u>-0.39%</u>
Program expenses:							
Governmental activities:							
Instruction	9,559,536	9,607,592	0	0	9,559,536	9,607,592	-0.50%
Support services	4,096,552	4,506,568	1,023	1,313	4,097,575	4,507,881	-9.10%
Non-instructional programs	0	0	716,740	673,616	716,740	673,616	6.40%
Other expenses	1,277,896	1,473,341	0	0	1,277,896	1,473,341	-13.27%
Total expenses	<u>14,933,984</u>	<u>15,587,501</u>	<u>717,763</u>	<u>674,929</u>	<u>15,651,747</u>	<u>16,262,430</u>	<u>-3.76%</u>
Change in net position	1,393,367	805,361	(29,898)	14,421	1,363,469	819,782	66.32%
Net position beginning of year	<u>16,185,517</u>	<u>15,380,156</u>	<u>112,874</u>	<u>98,453</u>	<u>16,298,391</u>	<u>15,478,609</u>	<u>5.30%</u>
Net position end of year	<u>\$ 17,578,884</u>	<u>16,185,517</u>	<u>82,976</u>	<u>112,874</u>	<u>17,661,860</u>	<u>16,298,391</u>	<u>8.37%</u>

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 85.11% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.24% of the revenue from business type activities.

The District's total revenues were approximately \$17.02 million, of which approximately \$16.33 million was for governmental activities and approximately \$0.69 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.39% decrease in revenues and a 3.76% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$16,327,351 and expenses were \$14,933,984 for the year ended June 30, 2013.

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, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 9,559,536	9,607,592	-0.50%	8,068,818	8,110,301	-0.51%
Support services	4,096,552	4,506,568	-9.10%	4,068,219	4,475,007	-9.09%
Other expenses	1,277,896	1,473,341	-13.27%	734,705	926,525	-20.70%
Totals	<u>\$ 14,933,984</u>	<u>15,587,501</u>	<u>-4.19%</u>	<u>12,871,742</u>	<u>13,511,833</u>	<u>-4.74%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$685,871.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,376,371.
- The net cost of governmental activities was financed with \$4,177,110 in property taxes, \$741,615 in income surtax, \$1,165,936 in statewide sales, services and use tax, \$7,812,300 in unrestricted state grants, \$20,849 in nonspecific program federal grants, \$7,673 of interest income and \$339,626 of other general revenues net of transfers.

Business Type Activities

Revenues of the District's business type activities were \$687,865 and expenses were \$717,763. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, interest income, and capital contributions.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$9,615,502, above last year's ending fund balance of \$8,538,728.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Revenues decreased by \$590,256 with an \$11,690 increase in expenses. Despite this the General Fund balance did increase by \$471,788 resulting in an ending fund balance of \$4,170,024.
- The Capital Projects Fund balance increased from \$3,033,052 in fiscal year 2012 to \$3,319,318 in fiscal year 2013. The increase is explained by decreased expenditures in the Capital Projects Fund.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$112,874 at June 30, 2012 to \$82,976 at June 30, 2013, representing a decrease of 26.49%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$745,866 more than budgeted receipts, a variance of 4.58%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$18.43 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents an increase of 1.46% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$544,294.

The original cost of the District's capital assets was \$29,793,110. Governmental funds account for \$29,583,688 with the remainder of \$209,422 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The increase is related to the preschool parking lot and fencing and also to the football field's bleachers.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 514,007	514,007	0	0	514,007	514,007	0.00%
Construction in progress	10,024,307	9,680,468	0	0	10,024,307	9,680,468	3.55%
Land improvements	295,601	231,616	0	0	295,601	231,616	27.63%
Buildings and improvements	6,634,861	6,883,992	0	0	6,634,861	6,883,992	-3.62%
Machinery and equipment	902,407	799,342	59,290	56,650	961,697	855,992	12.35%
Total	\$ 18,371,183	18,109,425	59,290	56,650	18,430,473	18,166,075	1.46%

Long-Term Debt

At June 30, 2012, the District had \$10,928,263 in total long-term debt outstanding. This represents a decrease of 0.48% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

At June 30, 2013, the District had total outstanding revenue bonds payable from the Capital Projects Fund of \$10,510,000.

The District had total outstanding Net OPEB liability of \$249,780 at June 30, 2013.

At June 30, 2013 the District had a liability of \$168,483 for termination benefits awarded to retiring employees

Figure A-7							
Outstanding Long-Term Obligations							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,				June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenue bonds	\$ 10,510,000	10,815,000	0	0	10,510,000	10,815,000	-2.82%
Termination benefits	168,483	0	0	0	168,483	0	100.00%
Net OPEB liability	241,637	161,677	8,143	4,435	249,780	166,112	50.37%
Totals	<u>\$ 10,920,120</u>	<u>10,976,677</u>	<u>8,143</u>	<u>4,435</u>	<u>10,928,263</u>	<u>10,981,112</u>	<u>-0.48%</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The district's enrollment has been gradually trending downward in the past. However, we project that it is going to stabilize over the next few years. Enrollment is always an important topic as the majority of our funding is based on it.
- Legislative topics are always a source of concern, as any changes can drastically effect district funding.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

CHARITON
COMMUNITY SCHOOLS

BASIC FINANCIAL STATEMENTS

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,190,411	79,210	10,269,621
Receivables:			
Property tax:			
Delinquent	70,705	0	70,705
Succeeding year	4,066,869	0	4,066,869
Income surtax	732,522	0	732,522
Accounts	1,088	0	1,088
Due from other funds	50,000	0	50,000
Due from other governments	845,666	7,429	853,095
Inventories	0	9,029	9,029
Capital assets, net of accumulated depreciation	18,371,183	59,290	18,430,473
TOTAL ASSETS	34,328,444	154,958	34,483,402
LIABILITIES			
Due to other funds	0	50,000	50,000
Accounts payable	153,587	4,149	157,736
Salaries and benefits payable	1,388,781	0	1,388,781
Accrued interest payable	220,203	0	220,203
Deferred revenue:			
Succeeding year property tax	4,066,869	0	4,066,869
Unearned revenues	0	9,690	9,690
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	435,000	0	435,000
Termination benefits	168,483	0	168,483
Portion due after one year:			
Revenue bonds	10,075,000	0	10,075,000
Net OPEB liability	241,637	8,143	249,780
TOTAL LIABILITIES	16,749,560	71,982	16,821,542
NET POSITION			
Invested in capital assets, net of related debt	8,811,844	59,290	8,871,134
Restricted for:			
Categorical funding	507,041	0	507,041
Debt service	1,144,542	0	1,144,542
Management levy purposes	433,490	0	433,490
Student activities	159,442	0	159,442
School infrastructure	1,082,275	0	1,082,275
Physical plant and equipment levy	1,286,382	0	1,286,382
Unrestricted	4,153,868	23,686	4,177,554
TOTAL NET POSITION	\$ 17,578,884	82,976	17,661,860

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 5,547,006	209,893	216,577	(5,120,536)	0	(5,120,536)
Special	2,071,090	137,572	75,798	(1,857,720)	0	(1,857,720)
Other	1,941,440	338,406	512,472	(1,090,562)	0	(1,090,562)
	<u>9,559,536</u>	<u>685,871</u>	<u>804,847</u>	<u>(8,068,818)</u>	<u>0</u>	<u>(8,068,818)</u>
Support services:						
Student	185,973	0	21,150	(164,823)	0	(164,823)
Instructional staff	407,010	0	5,607	(401,403)	0	(401,403)
Administration	1,474,448	0	0	(1,474,448)	0	(1,474,448)
Operation and maintenance of plant	1,334,188	0	1,576	(1,332,612)	0	(1,332,612)
Transportation	694,933	0	0	(694,933)	0	(694,933)
	<u>4,096,552</u>	<u>0</u>	<u>28,333</u>	<u>(4,068,219)</u>	<u>0</u>	<u>(4,068,219)</u>
Long-term debt interest	444,980	0	0	(444,980)	0	(444,980)
Other expenditures:						
AEA flowthrough	543,191	0	543,191	0	0	0
Depreciation(unallocated)*	289,725	0	0	(289,725)	0	(289,725)
	<u>832,916</u>	<u>0</u>	<u>543,191</u>	<u>(289,725)</u>	<u>0</u>	<u>(289,725)</u>
Total governmental activities	<u>14,933,984</u>	<u>685,871</u>	<u>1,376,371</u>	<u>(12,871,742)</u>	<u>0</u>	<u>(12,871,742)</u>
Business type activities:						
Support services:						
Administration	1,023	0	0	0	(1,023)	(1,023)
Non-instructional programs:						
Food service operations	716,740	193,572	482,171	0	(40,997)	(40,997)
Total business type activities	<u>717,763</u>	<u>193,572</u>	<u>482,171</u>	<u>0</u>	<u>(42,020)</u>	<u>(42,020)</u>
Total	<u>\$ 15,651,747</u>	<u>879,443</u>	<u>1,858,542</u>	<u>(12,871,742)</u>	<u>(42,020)</u>	<u>(12,913,762)</u>
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 3,972,359	0	3,972,359
Capital outlay				204,751	0	204,751
Income surtax				741,615	0	741,615
Statewide sales, services and use tax				1,165,936	0	1,165,936
Unrestricted state grants				7,812,300	0	7,812,300
Nonspecific program federal grants				20,849	0	20,849
Unrestricted investment earnings				7,673	2	7,675
Other				351,746	0	351,746
Transfers				(12,120)	12,120	0
Total general revenues and transfers				<u>14,265,109</u>	<u>12,122</u>	<u>14,277,231</u>
Change in net position				1,393,367	(29,898)	1,363,469
Net position beginning of year				<u>16,185,517</u>	<u>112,874</u>	<u>16,298,391</u>
Net position end of year				<u>\$ 17,578,884</u>	<u>82,976</u>	<u>17,661,860</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 5,232,534	2,839,563	2,118,314	10,190,411
Receivables:				
Property tax:				
Delinquent	60,118	3,466	7,121	70,705
Succeeding year	3,399,716	367,153	300,000	4,066,869
Income surtax	488,348	244,174	0	732,522
Accounts	0	0	1,088	1,088
Due from other funds	54,740	0	0	54,740
Due from other governments	364,637	481,029	0	845,666
TOTAL ASSETS	\$ 9,600,093	3,935,385	2,426,523	15,962,001
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 0	4,740	0	4,740
Accounts payable	153,224	0	363	153,587
Salaries and benefits payable	1,388,781	0	0	1,388,781
Deferred revenue:				
Succeeding year property tax	3,399,716	367,153	300,000	4,066,869
Income surtax	488,348	244,174	0	732,522
Total liabilities	5,430,069	616,067	300,363	6,346,499
Fund balances:				
Restricted for:				
Categorical funding	507,041	0	0	507,041
School infrastructure	0	2,032,936	0	2,032,936
Physical plant and equipment levy	0	1,286,382	0	1,286,382
Management levy purposes	0	0	601,973	601,973
Student activities	0	0	159,442	159,442
Debt service	0	0	1,364,745	1,364,745
Unassigned	3,662,983	0	0	3,662,983
Total fund balances	4,170,024	3,319,318	2,126,160	9,615,502
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,600,093	3,935,385	2,426,523	15,962,001

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)		\$ 9,615,502
 Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		18,371,183
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		732,522
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(220,203)
Long-term liabilities, including revenue bonds payable, termination benefits payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(10,920,120)</u>
Net position of governmental activities(page 18)		<u><u>\$ 17,578,884</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 4,049,787	1,620,490	420,681	6,090,958
Tuition	327,540	0	0	327,540
Other	269,980	223,097	338,409	831,486
State sources	8,571,038	0	0	8,571,038
Federal sources	524,746	0	0	524,746
Total revenues	<u>13,743,091</u>	<u>1,843,587</u>	<u>759,090</u>	<u>16,345,768</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,403,799	0	0	5,403,799
Special	2,029,859	0	0	2,029,859
Other	1,584,975	0	327,391	1,912,366
	<u>9,018,633</u>	<u>0</u>	<u>327,391</u>	<u>9,346,024</u>
Support services:				
Student	184,853	0	0	184,853
Instructional staff	383,893	22,592	0	406,485
Administration	1,440,415	24,903	0	1,465,318
Operation and maintenance of plant	1,159,875	56,920	172,654	1,389,449
Transportation	540,443	245,404	0	785,847
	<u>3,709,479</u>	<u>349,819</u>	<u>172,654</u>	<u>4,231,952</u>
Capital outlay	<u>0</u>	<u>393,272</u>	<u>0</u>	<u>393,272</u>
Long-term debt:				
Principal	0	0	305,000	305,000
Interest and fiscal charges	0	0	449,555	449,555
	<u>0</u>	<u>0</u>	<u>754,555</u>	<u>754,555</u>
Other expenditures:				
AEA flowthrough	543,191	0	0	543,191
Total expenditures	<u>13,271,303</u>	<u>743,091</u>	<u>1,254,600</u>	<u>15,268,994</u>
Excess(Deficiency)of revenues over(under)expenditures	471,788	1,100,496	(495,510)	1,076,774
Other financing sources(uses):				
Transfer in	0	0	814,230	814,230
Transfer out	0	(814,230)	0	(814,230)
Total other financing sources(uses)	<u>0</u>	<u>(814,230)</u>	<u>814,230</u>	<u>0</u>
Change in fund balances	471,788	286,266	318,720	1,076,774
Fund balance beginning of year	<u>3,698,236</u>	<u>3,033,052</u>	<u>1,807,440</u>	<u>8,538,728</u>
Fund balance end of year	<u>\$ 4,170,024</u>	<u>3,319,318</u>	<u>2,126,160</u>	<u>9,615,502</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds(page 22) \$ 1,076,774

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on disposal in the year are as follows:

Capital outlays	\$ 834,906	
Depreciation expense	(534,814)	
Loss on disposal	(38,334)	261,758

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 305,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 4,575

Income surtax receivable is not available to finance expenditures of the current year period in the governmental funds. (6,297)

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

Termination benefits	(168,483)	
Other postemployment benefits	(79,960)	(248,443)

Change in net position of governmental activities(page 19) \$ 1,393,367

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

		School Nutrition
ASSETS		
Cash and cash equivalents	\$	79,210
Due from other governments		7,429
Inventories		9,029
Capital assets, net of accumulated depreciation		59,290
Total assets		154,958
LIABILITIES		
Due to other funds		50,000
Salaries & benefits payable		4,149
Unearned revenue		9,690
Net OPEB liability		8,143
Total liabilities		71,982
NET POSITION		
Invested in capital assets		59,290
Unrestricted		23,686
Total net position	\$	82,976

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 193,572
Operating expenses:	
Support services:	
Administration:	
Supplies	1,023
Non-instructional programs:	
Salaries	194,057
Benefits	88,735
Supplies	424,468
Depreciation	9,480
	716,740
Total operating expenses	717,763
Operating loss	(524,191)
Non-operating revenues:	
State sources	5,883
Federal sources	476,288
Interest income	2
Total non-operating revenues	482,173
Change in net position before other financing sources	(42,018)
Other financing sources:	
Capital contributions	12,120
Change in net position	(29,898)
Net position beginning of year	112,874
Net position end of year	\$ 82,976

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 194,785
Cash payments to employees for services	(275,958)
Cash payments to suppliers for goods or services	(379,445)
Net cash used in operating activities	(460,618)
Cash flows from non-capital financing activities:	
State grants received	5,883
Federal grants received	428,986
Net cash provided by non-capital financing activities	434,869
Cash flows from investing activities:	
Interest on investments	2
Net decrease in cash and cash equivalents	(25,747)
Cash and cash equivalents at beginning of year	104,957
Cash and cash equivalents at end of year	\$ 79,210
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (524,191)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	45,845
Depreciation	9,480
Increase in inventories	(675)
Decrease in accounts payable	(147)
Increase in salaries and benefits payable	4,149
Increase in unearned revenue	1,213
Increase in net OPEB liability	3,708
Net cash used in operating activities	\$ (460,618)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received \$45,845 of federal commodities.

During the year ended June 30, 2013, the District received \$12,120 in contributed capital from the Capital Projects: Physical Plant and Equipment Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 13,894
LIABILITIES	<u>0</u>
NET POSITION	
Restricted for scholarships	<u>\$ 13,894</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 12,850
Deductions:	
Instruction:	
Other:	
Scholarships awarded	16,775
Change in net position	(3,925)
Net position beginning of year	17,819
Net position end of year	\$ 13,894

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due From and Due to Other Funds - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2011 balances of interfund accounts receivable or payable balance have been recorded.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position 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, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$4,818,994 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise: School Nutrition	\$ 50,000
General	Capital Projects: Statewide Sales, Services, and Use Tax	4,740
Total		<u>\$ 54,740</u>

The Enterprise: School Nutrition Fund is repaying the General Fund for money borrowed to pay salaries and benefits from prior years

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the General Fund for \$4,665 for Title I and \$75 for a state reimbursement for a teacher that was receipted to the wrong fund.

(4) Transfers

The detail of transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services, and Use Tax	\$ 814,230

The transfer from the Capital Projects: Statewide Sales, Services, and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bond obligations.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 514,007	0	0	514,007
Construction in progress	9,680,468	343,839	0	10,024,307
Total capital assets not being depreciated	<u>10,194,475</u>	<u>343,839</u>	<u>0</u>	<u>10,538,314</u>
Capital assets being depreciated:				
Land improvements	1,279,323	84,176	0	1,363,499
Buildings and improvements	12,884,785	20,403	0	12,905,188
Machinery and equipment	4,524,367	386,488	134,168	4,776,687
Total capital assets being depreciated	<u>18,688,475</u>	<u>491,067</u>	<u>134,168</u>	<u>19,045,374</u>
Less accumulated depreciation for:				
Land improvements	1,047,707	20,191	0	1,067,898
Buildings and improvements	6,000,793	269,534	0	6,270,327
Machinery and equipment	3,725,025	245,089	95,834	3,874,280
Total accumulated depreciation	<u>10,773,525</u>	<u>534,814</u>	<u>95,834</u>	<u>11,212,505</u>
Total capital assets being depreciated, net	<u>7,914,950</u>	<u>(43,747)</u>	<u>38,334</u>	<u>7,832,869</u>
Governmental activities capital assets, net	<u>\$ 18,109,425</u>	<u>300,092</u>	<u>38,334</u>	<u>18,371,183</u>
Business type activities:				
Machinery and equipment	\$ 197,302	12,120	0	209,422
Less accumulated depreciation	140,652	9,480	0	150,132
Business type activities capital assets, net	<u>\$ 56,650</u>	<u>2,640</u>	<u>0</u>	<u>59,290</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 23,086
Support services:	
Instructional staff	3,222
Administration	1,204
Operation and maintenance of plant	15,683
Transportation	201,894
	<u>245,089</u>
Unallocated depreciation	<u>289,725</u>
Total governmental activities depreciation expense	<u>\$ 534,814</u>
Business type activities:	
Food services	<u>\$ 9,480</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue Bonds	\$ 10,815,000	0	305,000	10,510,000	435,000
Termination Benefits	0	168,483	0	168,483	168,483
Net OPEB Liability	161,677	79,960	0	241,637	0
Total	\$ 10,976,677	248,443	305,000	10,920,120	603,483
Business type activities:					
Net OPEB Liability	\$ 4,435	3,708	0	8,143	0

Revenue Bonds Payable

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated March 23, 2010			
	Interest Rates	Principal	Interest	Total
2014	3.00	% \$ 435,000	440,405	875,405
2015	3.00	435,000	427,355	862,355
2016	4.00	455,000	414,305	869,305
2017	4.00	475,000	396,105	871,105
2018	4.00	495,000	377,105	872,105
2019-2023	4.00-4.13	2,855,000	1,568,525	4,423,525
2024-2028	4.25-4.60	3,630,000	912,586	4,542,586
2029-2030	4.70-4.75	1,730,000	123,790	1,853,790
Total		\$ 10,510,000	4,660,176	15,170,176

The District has pledged future statewide sales, services and use tax revenues to repay the \$11,330,000 of bonds issued in March 2010. The bonds were issued to finance the high school renovation project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 75% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$15,170,176. For the current year, \$305,000 of principal and \$449,555 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,165,936.

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

- a) \$927,038 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) Monthly transfers will be made from the District's Capital Projects: Statewide Sales, Services and Use Tax Fund to a revenue account held by the paying agent.
- c) The District shall make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Termination Benefits

During the year ended June 30, 2013 the District offered a voluntary early retirement plan to its full-time licensed teachers. Eligible employees must have been at least age fifty-five and employees must have completed fifteen years of continuous service to the District or the sum of total years of teaching and age equal eighty-eight. Employees must have completed an application which is required to be approved by the Board of Education.

The early retirement incentive for each eligible licensed employee will be based on the licensed employee's salary schedule in effect the last year of employment.

The incentive will be paid in two equal payments on October 20, 2013 and on April 20, 2014. Health insurance may be continued at employee expense until the last day of the month prior to the retiree reaching age 65, subject to insurance carrier requirements.

At June 30, 2013, the District has obligations to eight participants with a total liability of \$168,483.

(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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$689,969, \$641,713 and \$554,738 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health plan which provides medical and dental benefits for employees, retirees and their spouses. There are 157 active and 6 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 123,546
Interest on net OPEB obligation	7,475
Adjustment to annual required contribution	(6,629)
Annual OPEB cost	<u>124,392</u>
Contributions made	<u>(40,724)</u>
Increase in net OPEB obligation	83,668
Net OPEB obligation beginning of year	<u>166,112</u>
Net OPEB obligation end of year	<u><u>\$ 249,780</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$40,724 to the medical plan. Retired members eligible for the plan contributed \$0 or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 90,387	40.94%	114,387
2012	90,725	42.99%	166,112
2013	124,392	32.74%	249,780

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,253,878, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,253,878. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,309,281 and the ratio of the UAAL to covered payroll was 19.87%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual health care cost trend rate starts at 9.5% for the year ended June 30, 2013. The trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate in 2022.

Mortality rates are from the RP-2000 Combined Healthy Generational Mortality Table with Projection Scale AA. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Retiree premiums in the medical plan for the 2012-13 year were approximately \$485 monthly. 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 is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed

in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: dental and long-term disability. District contributions to ISEBA for the year ended June 30, 2013 were \$109,549.

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

(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 \$543,191 for the year ended June 30, 2013 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 restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Gifted and Talented Programs	\$ 50,423
Returning Dropouts and Dropout Prevention Programs	37,977
Four-year-old Preschool State Aid	131,158
Home School Assistance Program	8,486
Teacher Salary Supplement	75,519
Market Factor	9,093
Professional Development for Model Core Curriculum	62,514
Professional Development	55,259
Market Factor Incentives	4,532
Property Tax and State Aid Financed Weighted Limited English Proficient	72,080
Total	<u>\$ 507,041</u>

(12) Construction Commitment

The District has entered into various contracts totaling \$10,521,104 for renovations at the high school. As of June 30, 2013, costs of \$10,024,307 had been incurred against the contracts. The balance remaining of \$496,797 at June 30, 2013 will be paid as work on the project progresses. The total cost of the improvements will be added to the District's fixed asset listing upon completion.

CHARITON
COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION

CHARITON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 7,249,984	193,574	7,443,558	6,665,079	6,665,079	778,479
State sources	8,571,038	5,883	8,576,921	8,683,568	8,683,568	(106,647)
Federal sources	524,746	476,288	1,001,034	927,000	927,000	74,034
Total revenues	16,345,768	675,745	17,021,513	16,275,647	16,275,647	745,866
Expenditures/Expenses:						
Instruction	9,346,024	0	9,346,024	10,010,000	10,010,000	663,976
Support services	4,231,952	1,023	4,232,975	4,678,269	4,778,269	545,294
Non-instructional programs	0	716,740	716,740	645,000	775,000	58,260
Other expenditures	1,691,018	0	1,691,018	2,509,406	2,279,406	588,388
Total expenditures/expenses	15,268,994	717,763	15,986,757	17,842,675	17,842,675	1,855,918
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,076,774	(42,018)	1,034,756	(1,567,028)	(1,567,028)	2,601,784
Other financing sources, net	0	12,120	12,120	0	0	12,120
Excess(Deficiency)of revenues and other financing sources over(under) expenditures/expenses	1,076,774	(29,898)	1,046,876	(1,567,028)	(1,567,028)	2,613,904
Balance beginning of year	8,538,728	112,874	8,651,602	5,848,192	5,848,192	2,803,410
Balance end of year	\$ 9,615,502	82,976	9,698,478	4,281,164	4,281,164	5,417,314

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, shifting \$130,000 of budgeted expenditures from other expenditures to non-instructional programs but did not increase the budget overall.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 776,000	776,000	0.0%	\$ 7,852,210	9.88%
2011	July 1, 2009	0	776,000	776,000	0.0%	7,514,243	10.33%
2012	July 1, 2009	0	776,000	776,000	0.0%	7,951,834	9.76%
2013	July 1, 2012	0	1,253,878	1,253,878	0.0%	6,309,281	19.87%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue Funds				
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Total
ASSETS					
Cash and pooled investments	\$ 594,852	158,717	753,569	1,364,745	2,118,314
Receivables:					
Property tax:					
Delinquent	7,121	0	7,121	0	7,121
Succeeding year	300,000	0	300,000	0	300,000
Accounts	0	1,088	1,088	0	1,088
TOTAL ASSETS	\$ 901,973	159,805	1,061,778	1,364,745	2,426,523
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 0	363	363	0	363
Deferred revenue:					
Succeeding year property tax	300,000	0	300,000	0	300,000
Total liabilities	300,000	363	300,363	0	300,363
Fund balances:					
Restricted for:					
Management levy purposes	601,973	0	601,973	0	601,973
Student activities	0	159,442	159,442	0	159,442
Debt service	0	0	0	1,364,745	1,364,745
Total fund balances	601,973	159,442	761,415	1,364,745	2,126,160
TOTAL LIABILITIES AND FUND BALANCES	\$ 901,973	159,805	1,061,778	1,364,745	2,426,523

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue Funds				
	Manage-		Total		
	ment Levy	Student Activity	Special Revenue	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 420,681	0	420,681	0	420,681
Other	0	338,405	338,405	4	338,409
Total revenues	420,681	338,405	759,086	4	759,090
Expenditures:					
Current:					
Instruction:					
Other	0	327,391	327,391	0	327,391
Support services:					
Operation and maintenance of plant	172,654	0	172,654	0	172,654
Long-term debt:					
Principal	0	0	0	305,000	305,000
Interest and fiscal charges	0	0	0	449,555	449,555
Total expenditures	172,654	327,391	500,045	754,555	1,254,600
Excess(Deficiency) of revenues over(under) expenditures	248,027	11,014	259,041	(754,551)	(495,510)
Other financing sources:					
Transfer in	0	0	0	814,230	814,230
Change in fund balances	248,027	11,014	259,041	59,679	318,720
Fund balances beginning of year	353,946	148,428	502,374	1,305,066	1,807,440
Fund balances end of year	\$ 601,973	159,442	761,415	1,364,745	2,126,160

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax	Construction Account	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 605,986	950,661	1,282,916	2,839,563
Receivables:				
Property tax:				
Delinquent	0	0	3,466	3,466
Succeeding year	0	0	367,153	367,153
Income surtax	0	0	244,174	244,174
Due from other governments	481,029	0	0	481,029
TOTAL ASSETS	\$ 1,087,015	950,661	1,897,709	3,935,385
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 4,740	0	0	4,740
Deferred revenue:				
Succeeding year property tax	0	0	367,153	367,153
Income surtax	0	0	244,174	244,174
Total liabilities	4,740	0	611,327	616,067
Fund balances:				
Restricted for:				
School infrastructure	1,082,275	950,661	0	2,032,936
Physical plant and equipment	0	0	1,286,382	1,286,382
Total fund balances	1,082,275	950,661	1,286,382	3,319,318
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,087,015	950,661	1,897,709	3,935,385

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax	Construction Account	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 1,165,936	0	454,554	1,620,490
Other	638	222,045	414	223,097
Total revenues	1,166,574	222,045	454,968	1,843,587
Expenditures:				
Current:				
Support services:				
Instructional staff	22,592	0	0	22,592
Administration	24,903	0	0	24,903
Operation and maintenance of plant	34,050	0	22,870	56,920
Transportation	0	0	245,404	245,404
Capital outlay	0	343,839	49,433	393,272
Total expenditures	81,545	343,839	317,707	743,091
Excess(Deficiency) of revenues over(under) expenditures	1,085,029	(121,794)	137,261	1,100,496
Other financing uses:				
Transfer out	(814,230)	0	0	(814,230)
Change in fund balances	270,799	(121,794)	137,261	286,266
Fund balances beginning of year	811,476	1,072,455	1,149,121	3,033,052
Fund balances end of year	\$ 1,082,275	950,661	1,286,382	3,319,318

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Thespians	\$ 2,983	95	0	3,078
Speech	0	0	0	0
National Honor Society	0	534	534	0
Vocal Music	675	0	20	655
Band	820	1,475	1,158	1,137
Middle School Band	106	100	0	206
Flag Team	8	0	0	8
Co-Ed Athletics	6,525	88,328	83,779	11,074
Girls Soccer	10	11	21	0
Boys Soccer	306	100	205	201
Boys Track	632	640	658	614
Girls Track	727	980	990	717
Cross Country	1,099	0	47	1,052
Girls Tennis	13	0	0	13
Boys Tennis	44	0	0	44
Boys Basketball	637	1,585	789	1,433
Football	14,414	16,328	17,297	13,445
Baseball	1,576	12,400	12,902	1,074
Wrestling	33	1,786	1,819	0
Weight Room	209	1,366	1,038	537
Golf	0	760	760	0
Girls Basketball	516	7,571	7,542	545
Volleyball	2,649	5,535	3,678	4,506
Softball	3,663	4,343	7,244	762
Class of 2010	967	0	967	0
Class of 2011	1,219	0	1,219	0
Class of 2012	2,160	0	0	2,160
Class of 2013	1,663	1,525	3,002	186
Class of 2014	519	6,219	5,045	1,693
Class of 2015	0	502	183	319
Class of 2016	0	518	89	429
Academiathon	1,246	435	213	1,468
Contingency	258	5,109	5,000	367
Concessions	30,271	51,781	43,820	38,232
Student Council	5,603	9,150	7,168	7,585
Life	32	0	27	5
Spanish Club	10,435	11,144	18,555	3,024
Art Service	0	24	24	0
C Club	848	0	100	748
FFA	1,467	4,373	4,464	1,376
FBLA	920	9,712	8,647	1,985

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
SES Club	4,114	7,265	8,118	3,261
On Other Hand	926	996	691	1,231
Yearbook	8,075	6,059	7,275	6,859
Cap & Gown	405	2,016	2,140	281
Cheerleaders	1,689	2,574	3,235	1,028
Musical	2,699	4,304	2,966	4,037
Woods Club	1,092	0	598	494
Construction Club	820	0	0	820
Donations	1,400	0	0	1,400
MS Student Council	3,006	3,118	1,359	4,765
6th Grade	312	0	0	312
7th Grade	101	269	269	101
8th Grade	575	0	20	555
MS BLD Initiative	6,313	16,710	17,545	5,478
MS Yearbook Club	959	569	676	852
Columbus	15,171	24,900	19,978	20,093
Van Allen Elementary	5,518	25,196	23,517	7,197
Total	\$ 148,428	338,405	327,391	159,442

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	Shelton Law Scholarship	Alexander Scholarship	Orva Hibbs Scholarship	Chariton High School Scholarship	Jessica Luedtke Scholarship	Kandalynn Hall Scholarship	FCCLA/FEA Scholarship Award	Total
ASSETS								
Cash and pooled investments	\$ 1,000	4,825	4,500	686	200	183	2,500	13,894
LIABILITIES								
	0	0	0	0	0	0	0	0
NET POSITION								
Restricted for scholarships	\$ 1,000	4,825	4,500	686	200	183	2,500	13,894

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2013

	Shelton Law Scholarship	Alexander Scholarship	Orva Hibbs Scholarship	Chariton High School Scholarship	Jessica Luedtke Scholarship	Kandalynn Hall Scholarship	FFCCLA/FEA Scholarship Award	Total
Additions:								
Local sources:								
Gifts and contributions	\$ 1,000	4,800	4,500	250	300	0	2,000	12,850
Deductions:								
Instruction:								
Other:								
Scholarships awarded	1,000	4,475	6,000	1,000	300	2,000	2,000	16,775
Change in net position	0	325	(1,500)	(750)	0	(2,000)	0	(3,925)
Net position beginning of year	1,000	4,500	6,000	1,436	200	2,183	2,500	17,819
Net position end of year	\$ 1,000	4,825	4,500	686	200	183	2,500	13,894

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 6,090,958	5,815,013	5,379,613	4,906,906	4,870,468	3,860,136	3,764,441	3,817,118	3,936,979	3,360,097
Tuition	327,540	346,588	353,197	337,392	275,381	724,286	611,828	640,590	439,979	362,761
Other	831,486	578,101	626,229	587,377	693,325	855,906	1,139,864	734,742	618,054	535,889
Intermediate sources	0	0	0	0	0	0	0	0	20,500	200
State sources	8,571,038	8,868,357	8,921,940	7,845,734	9,289,373	7,970,772	7,233,874	7,153,722	6,528,149	5,959,825
Federal sources	524,746	782,120	953,564	1,391,949	635,213	486,006	479,671	607,800	580,644	772,270
 Total	 \$ 16,345,768	 16,390,179	 16,234,543	 15,069,358	 15,763,760	 13,897,106	 13,229,678	 12,953,972	 12,124,305	 10,991,042
Expenditures:										
Instruction:										
Regular	\$ 5,403,799	5,600,317	5,619,701	5,523,400	5,473,329	5,169,470	4,869,185	6,598,945	4,834,869	4,523,645
Special	2,029,859	1,919,070	2,027,491	2,070,714	1,904,943	1,706,515	1,498,964	672,165	1,818,441	1,798,565
Other	1,912,366	1,947,711	1,922,784	2,139,767	1,878,460	1,598,635	1,504,483	467,251	1,167,711	1,149,154
Support services:										
Student	184,853	185,689	175,644	151,018	138,676	228,310	246,285	237,994	164,689	123,432
Instructional staff	406,485	479,691	421,865	331,201	635,040	224,337	357,547	371,622	279,600	305,229
Administration	1,465,318	1,364,215	1,371,830	1,781,397	1,481,251	1,358,571	1,272,613	1,166,859	1,063,622	926,241
Operation and maintenance of plant	1,389,449	1,269,936	1,236,423	1,239,050	1,343,654	1,175,950	1,283,347	1,257,820	1,074,068	916,623
Transportation	785,847	914,477	704,419	697,197	741,812	643,887	566,057	443,514	506,022	371,026
Central	0	0	0	0	0	0	0	0	0	57,175
Other	0	0	0	0	0	0	0	0	176,605	121,839
Non-instructional programs	0	0	2,984	2,693	4,364	9,191	4,477	4,593	13,806	9,858
Capital outlay	393,272	2,580,417	7,515,500	414,977	48,455	95,714	43,207	8,146	102,635	403,221
Long-term debt:										
Principal	305,000	290,000	225,000	660,000	315,000	300,000	280,000	265,000	260,000	255,000
Interest and fiscal charges	449,555	458,254	360,837	31,197	46,737	60,237	72,837	84,779	96,202	107,068
Other expenditures:										
AEA flow-through	543,191	546,816	606,617	603,840	561,531	479,075	450,033	434,917	401,808	330,200
 Total	 \$ 15,268,994	 17,556,593	 22,191,095	 15,646,451	 14,573,252	 13,049,892	 12,449,035	 12,013,605	 11,960,078	 11,398,276

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
IMPACT AID - FACILITIES MAINTENANCE	84.041	FY 13	\$ 1,576
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	92,256
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	351,553 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 13	7,429
			<u>451,238</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 13	<u>25,050</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1107-GC	25,011
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1107-G	250,825
TITLE I SCHOOLS IN NEED OF ASSISTANCE	84.010	FY 13	17,658
			<u>293,494</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	<u>30,388</u>
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 13	<u>26,842</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 13	<u>66,933</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 13	<u>8,866</u>
EDUCATION JOB FUNDS	84.410	FY 11	16,419
EDUCATION JOB FUNDS	84.410	FY 12	4,430
			<u>20,849</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 13	<u>75,798</u>
TOTAL			<u>\$ 1,001,034</u>

* -Includes \$45,845 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Chariton 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 basic 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
Chariton Community School District:

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Chariton Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 10, 2014.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chariton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters

that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2014
Newton, Iowa

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

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

To the Board of Education of
Chariton Community School District:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Chariton Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Chariton Community School District's major federal programs for the year ended June 30, 2013. Chariton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Chariton Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chariton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Chariton Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Chariton Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2013.

Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2014
Newton, Iowa

CHARITON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Programs:
 - School Nutrition Cluster
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - Title I Cluster
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.010 - Title I Schools in Need of Assistance
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Chariton Community School District did not qualify as a low-risk auditee.

CHARITON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Capital assets - purchasing, recording and reconciling.
- 5) Wire transfers - processing and approving.
- 6) Transfers - preparing and approving.
- 7) Financial reporting - preparing, reconciling and approving.

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

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

Conclusion - Response accepted.

CHARITON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2013
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.010: Title I Schools in Need of Assistance
Federal Award Year: 2013
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Disbursements - purchase order processing, check preparation, mailing and recording.
- 3) Wire transfers - processing and approving.
- 4) Financial reporting - preparing, reconciling and approving.

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

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

Conclusion - Response accepted.

CHARITON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-13 Certified Budget - District expenditures for the year ended June 30, 2013, did not exceed the amount budgeted.

IV-B-13 Questionable Disbursements - We noted during our audit the District is not always receiving itemized receipts for expenses charged on the District credit card. Board Policy 401.10 states in part "Board members, administrators and other employees using a District credit card must submit detailed documentation in addition to a credit card receipt indicating the date, purpose and nature of the expense for each claim item. Failure to provide proper receipts shall make the expense a personal expense."

Recommendation - The District should review Board Policy 401.10 with employees and require detailed receipts of purchases made with the District's credit card to be in compliance with board policy.

Response - The District will continue to communicate to staff that detailed receipts are need for all purchases.

Conclusion - Response accepted.

IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-13 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dave Rich, Board Member	Equipment	\$11,150
Owner of True Value	Supplies	2,492

In accordance with Iowa Code Section 279.7A, the above transactions with the Board Member for equipment, does not appear to be a conflict of interest because the District received competitive bids and the Board Member recused himself from voting on the action to approve the purchase of the equipment.

In accordance with Iowa Code Section 279.7A, the above transactions with the Board Member for supplies, does not appear to be a conflict of interest because the amount of the transactions is under the allowable \$2,500 threshold.

IV-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

IV-G-13 Certified Enrollment - No variances regarding the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-13 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-13 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-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

Beginning Balance		\$	811,476
Revenues:			
Sales Tax Revenues	\$	1,165,936	
Other Local Revenues		638	1,166,574
			<u>1,978,050</u>
Expenditures/transfer out:			
Equipment		56,642	
Other		24,903	
Transfers to Other Funds:			
Debt Service Fund		814,230	895,775
			<u>895,775</u>
Ending balance		\$	<u>1,082,275</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

IV-M-13 Interfund Loans - We noted during our audit that the District has interfund loans that were on the balance sheet in the prior year and still on the current year balance sheets. As of June 30, 2013, the District has a loan between the General Fund and Nutrition Fund that has not been repaid and a loan between the Capital Projects: Statewide Service and Sales Tax Fund and the General Fund that has not been repaid.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational

meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue external loans to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should evaluate alternatives and develop a plan to be in compliance with the Iowa Department of Education declaratory order dated April 11, 2008.

Response - The District is aware of this ruling and will seek alternatives and develop a plan to be in compliance with the declaratory order.

Conclusion - Response accepted.