

CHARLES CITY 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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Charles City Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Mark Miller	President	2013
Randy Heitz	Vice President	2013
Bill Fenholt	Board Member	2013
Al Bode	Board Member (Deceased March 10, 2013)	2015
Jay Jung	Board Member (Appointed April 8, 2013)	2013
Lorraine Winterink	Board Member	2015
<u>School Officials</u>		
Andy Pattee	Superintendent	2013
Terri O' Brien	District Treasurer/Secretary/ Business Manager	2013
Ahlers Law Firm	Attorney	2013

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 AUDITORS REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Charles City Community School District, Charles City, Iowa, as of and for the year ended June 30, 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, business type activities, each major fund, and the aggregate remaining fund information of the Charles City Community School District at 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.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 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 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 Charles City Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2009 to June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other auditors previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2004 to June 30, 2008, and the one year ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 13, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and 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 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 January 7, 2014, on our consideration of the Charles City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Charles City Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

January 7, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Charles City 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 \$16,212,661 in fiscal 2012 to \$15,843,975 in fiscal 2013, while General Fund expenditures increased from \$15,594,077 in fiscal 2012 to \$15,911,333 in fiscal 2013. The District's General Fund balance decreased from \$2,485,046 in fiscal 2012 to \$2,417,688 in fiscal 2013, a 2.71% decrease.
- The decrease in General Fund revenues was attributable to a decrease in local sources. The increase in expenditures was due to the increase in support services and instructional expenditures.
- The District's solvency ratio as compared to fiscal 2012. At June 30, 2013 the District's solvency ratio was 12.15% as compared to 11.74% at June 30, 2012.

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 Charles City Community School District as a whole and present an overall view of the District's finances.

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

Notes to 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 governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

Figure A-1
Charles City Community School District Annual Financial Report

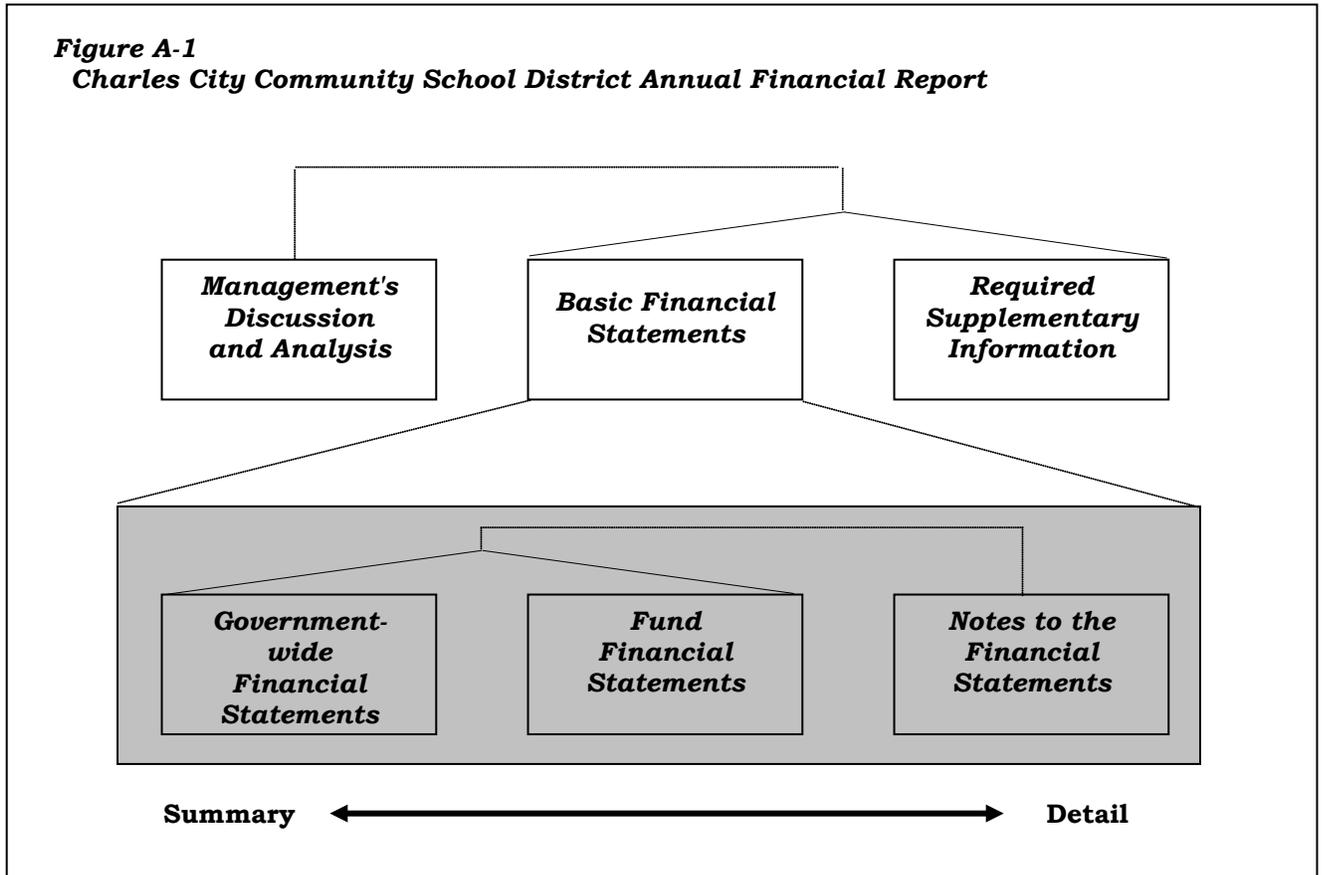


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 – are 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, Special Revenue Funds, and Capital Projects Funds.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses Internal Service Funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has two internal service funds, the Flex Spending Fund is used to account for the District's employee flexible benefit plan and the Medical Insurance Fund is used to account for the District's self-funded medical plan.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in 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 include the Private Purpose Trust and Agency Funds.

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds through which the District administers and accounts for certain monies on behalf of other entities.

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 a 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 School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 15,378,237	13,245,090	206,629	238,540	15,584,866	13,483,630	15.58%
Capital assets	5,935,630	6,016,176	85,675	97,871	6,021,305	6,114,047	-1.52%
Total assets	21,313,867	19,261,266	292,304	336,411	21,606,171	19,597,677	10.25%
Long-term obligations	350,147	361,323	7,832	5,354	357,979	366,677	-2.37%
Other liabilities	8,224,110	8,004,131	80,787	76,689	8,304,897	8,080,820	2.77%
Total liabilities	8,574,257	8,365,454	88,619	82,043	8,662,876	8,447,497	2.55%
Net position:							
Invested in capital assets	5,935,630	6,016,176	85,675	97,871	6,021,305	6,114,047	-1.52%
Restricted	3,422,549	1,887,604	-	-	3,422,549	1,887,604	81.32%
Unrestricted	3,381,431	2,992,032	118,010	156,497	3,499,441	3,148,529	11.15%
Total net position	\$ 12,739,610	10,895,812	203,685	254,368	12,943,295	11,150,180	16.08%

The District's combined net position increased by 16.08%, or \$1,793.115, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment). Besides equipment purchases the District finished construction on an addition to the High School and new concession stand at the District's athletic fields. These items were capitalized during the year were the primary cause of the increase in investment in capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$1,534,945 or 81.32% from the prior year. This was primarily the result of the increase in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$350,912 or 11.15%. This increase in unrestricted net position was primarily the result of the District's increased cash balance at June 30, 2013.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 722,656	1,031,815	343,192	367,722	1,065,848	1,399,537	-23.84%
Operating grants, contributions and restricted interest	1,734,826	2,671,712	550,184	558,254	2,285,010	3,229,966	-29.26%
General revenues:							
Property tax	5,703,589	6,029,432	-	-	5,703,589	6,029,432	-5.40%
Income surtax	743,008	662,075	-	-	743,008	662,075	12.22%
Statewide sales, services and use tax	1,306,662	1,165,525	-	-	1,306,662	1,165,525	12.11%
Unrestricted state grants	8,316,683	7,042,850	-	-	8,316,683	7,042,850	18.09%
Unrestricted interest income	37,440	32,720	992	967	38,432	33,687	14.09%
Other	54,601	48,909	-	-	54,601	48,909	11.64%
Transfers	756	(5,483)	(756)	5,483	-	-	0.00%
Total revenues & transfers	18,620,221	18,679,555	893,612	932,426	19,513,833	19,611,981	-0.50%
Program expenses:							
Governmental activities:							
Instruction	11,236,443	11,674,159	-	-	11,236,443	11,674,159	-3.75%
Support services	4,655,159	4,174,689	42,762	-	4,697,921	4,174,689	12.53%
Non-instructional programs	8,582	7,942	901,533	927,399	910,115	935,341	-2.70%
Other expenses	876,239	1,520,060	-	-	876,239	1,520,060	-42.35%
Total expenses	16,776,423	17,376,850	944,295	927,399	17,720,718	18,304,249	-3.19%
Increase(Decrease) in net position	1,843,798	1,302,705	(50,683)	5,027	1,793,115	1,307,732	37.12%
Net position beginning of year	10,895,812	9,593,107	254,368	249,341	11,150,180	9,842,448	13.29%
Net position end of year	\$ 12,739,610	10,895,812	203,685	254,368	12,943,295	11,150,180	16.08%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 86.30% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.97% of the revenue from business type activities. The District's total revenues were approximately \$19.52 million of which approximately \$18.62 million was for governmental activities and approximately \$0.90 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.50% decrease in revenues and a 3.19% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$18,620,221 and expenses were \$16,776,423 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	\$ 11,236,443	11,674,159	-3.75%	9,495,716	8,764,313	8.35%
Support services	4,655,159	4,174,689	11.51%	4,565,457	4,017,260	13.65%
Non-instructional programs	8,582	7,942	8.06%	8,582	7,942	8.06%
Other expenses	876,239	1,520,060	-42.35%	249,186	883,808	-71.81%
Totals	<u>\$ 16,776,423</u>	<u>17,376,850</u>	<u>-3.46%</u>	<u>14,318,941</u>	<u>13,673,323</u>	<u>4.72%</u>

- The cost financed by users of the District's programs was \$722,656.
- Federal and state governments subsidized certain programs with grants and contributions totaling 1,734,826.
- The net cost of governmental activities was financed with \$5,703,589 in property tax, \$743,008 in income surtax, \$1,306,662 in statewide sales, services and use tax, \$8,316,683 in unrestricted state grants, \$37,440 in interest income and \$54,601 in other general revenues as well as \$756 in transfers to governmental activities.

Business-Type Activities

Revenues net of transfers of the District's business type activities were \$893,612 and expenses were \$944,295. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$5,629,782, which is more than last year's ending fund balances of \$4,081,022. The increase in combined fund balances is mainly attributable to the increase in fund balance of the Capital Projects accounts.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,485,046 to \$2,417,688, due in part to the decrease in local source revenues received during the year.

- The Capital Projects accounts balance increased from \$1,138,462 to \$2,799,800. This was due to the District completing the high school addition during the year, resulting in decreased capital outlay expenditures when compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$254,368 at June 30, 2012 to \$203,685 at June 30, 2013, representing a decrease of 19.93%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$24,219 less than budgeted revenues, a variance of less than 1%. The most significant dollar variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$6.02 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.54% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$414,521.

The original cost of the District's capital assets was \$15.24 million. Governmental funds account for \$14.71 million with the remainder of \$0.53 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$11,716 at June 30, 2013, compared to \$1,357,088 reported at June 30, 2012. This significant decrease resulted from the District finishing work on the new addition to the high school and completing the renovation of concession stand at the District's athletic field, and the District capitalizing these items as part of the District's capital asset listing.

	Governmental Activities		Business Type Activities		Total School District		Total Change 2012-13
	2013	2012	2013	2012	2013	2012	
Land	\$ 316,000	325,000	-	-	316,000	325,000	-2.85%
Construction in progress	11,716	1,357,088	-	-	11,716	1,357,088	-11483.20%
Buildings	4,928,143	3,644,459	-	-	4,928,143	3,644,459	26.05%
Machinery and equipment	679,771	689,629	85,675	97,871	765,446	787,500	-2.88%
Total	\$ 5,935,630	6,016,176	85,675	97,871	6,021,305	6,114,047	-1.54%

Long-Term Debt

At June 30, 2013, the District had \$357,979 in other long-term debt outstanding. This represents a decrease of 2.37% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding Termination Benefits payable from the Special Revenue - Management Levy Fund of \$92,130 at June 30, 2013.

The District had total outstanding Compensated Absences payable from the General Fund of \$36,167 at June 30, 2013.

The District had outstanding Net OPEB liability at June 30, 2013 of \$229,682. The Governmental Activities accounted for \$221,850 of this total while Business Type Activities accounted for \$7,832.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Termination Benefits	\$ 92,130	220,877	-	-	92,130	220,877	-58.29%
Compensated Absences	36,167	39,892	-	1,964	36,167	41,856	-13.59%
Net OPEB Liability	221,850	100,554	7,832	3,390	229,682	103,944	120.97%
Totals	\$ 350,147	361,323	7,832	5,354	357,979	366,677	-2.37%

ECONOMIC 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:

- School financing is highly dependent upon student enrollment. The District's October 2013 enrollment increased 9.73 students. This increase in enrollment will increase the District's funding for fiscal year 2015.
- The District's total taxable valuation will increase 4% for property tax collected in fiscal 2015.
- The District's Board of Education is committed to completing a multi-million dollar construction project and is in the process of evaluating current facilities to determine the scope of the project. In July 2013, the District received \$10 million for new construction. In September 2013 four new board members were elected and decided to reevaluate the scope of the project.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Terri O'Brien, District Treasurer and Business Manager, Charles City Community School District, 500 North Grand Avenue, Charles City, Iowa, 50616.

Charles City Community School District

Basic Financial Statements

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 7,993,363	176,699	8,170,062
Receivables:			
Property tax:			
Delinquent	72,605	-	72,605
Succeeding year	5,921,208	-	5,921,208
Income surtax	675,926	-	675,926
Accounts	28,857	3,314	32,171
Due from other funds	4,960	-	4,960
Due from other governments	680,749	-	680,749
Inventories	-	26,616	26,616
Prepaid expenses	569	-	569
Capital assets, net of accumulated depreciation	5,935,630	85,675	6,021,305
TOTAL ASSETS	21,313,867	292,304	21,606,171
LIABILITIES			
Due to other funds	228	4,732	4,960
Accounts payable	221,942	-	221,942
Deposits payable	100,000	-	100,000
Salaries and benefits payable	1,761,232	63,445	1,824,677
Incurred but not reported claims	218,850	-	218,850
Deferred revenue:			
Succeeding year property tax	5,921,208	-	5,921,208
Other	650	-	650
Unearned revenue	-	12,610	12,610
Long-term liabilities:			
Portion due within one year:			
Termination benefits	51,060	-	51,060
Compensated absences	36,167	-	36,167
Portion due after one year:			
Termination benefits	41,070	-	41,070
Net OPEB liability	221,850	7,832	229,682
TOTAL LIABILITIES	8,574,257	88,619	8,662,876
NET POSITION			
Invested in capital assets	5,935,630	85,675	6,021,305
Restricted for:			
Categorical funding	302,585	-	302,585
School infrastructure	1,743,625	-	1,743,625
Physical plant and equipment	1,056,175	-	1,056,175
Management levy purposes	79,150	-	79,150
Student activities	241,014	-	241,014
Unrestricted	3,381,431	118,010	3,499,441
TOTAL NET POSITION	\$ 12,739,610	203,685	12,943,295

SEE NOTES TO FINANCIAL STATEMENTS.

**CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 6,000,563	265,799	255,180	(5,479,584)	-	(5,479,584)
Special	2,752,089	123,087	180,607	(2,448,395)	-	(2,448,395)
Other	2,483,791	291,357	624,697	(1,567,737)	-	(1,567,737)
	<u>11,236,443</u>	<u>680,243</u>	<u>1,060,484</u>	<u>(9,495,716)</u>	<u>-</u>	<u>(9,495,716)</u>
Support services:						
Student	535,596	-	-	(535,596)	-	(535,596)
Instructional staff	576,389	-	-	(576,389)	-	(576,389)
Administration	1,576,183	34,896	-	(1,541,287)	-	(1,541,287)
Operation and maintenance of plant	1,459,162	-	-	(1,459,162)	-	(1,459,162)
Transportation	507,829	7,517	47,289	(453,023)	-	(453,023)
	<u>4,655,159</u>	<u>42,413</u>	<u>47,289</u>	<u>(4,565,457)</u>	<u>-</u>	<u>(4,565,457)</u>
Non-instructional programs:						
Food service operations	8,582	-	-	(8,582)	-	(8,582)
Other expenditures:						
AEA flowthrough	627,053	-	627,053	-	-	-
Depreciation(unallocated)*	249,186	-	-	(249,186)	-	(249,186)
	<u>876,239</u>	<u>-</u>	<u>627,053</u>	<u>(249,186)</u>	<u>-</u>	<u>(249,186)</u>
Total governmental activities	<u>16,776,423</u>	<u>722,656</u>	<u>1,734,826</u>	<u>(14,318,941)</u>	<u>-</u>	<u>(14,318,941)</u>
Business type activities:						
Support services:						
Administration	29,105	-	-	-	(29,105)	(29,105)
Operation and maintenance of plant	13,657	-	-	-	(13,657)	(13,657)
Non-instructional programs:						
Food service operations	901,533	343,192	550,184	-	(8,157)	(8,157)
Total business type activities	<u>944,295</u>	<u>343,192</u>	<u>550,184</u>	<u>-</u>	<u>(50,919)</u>	<u>(50,919)</u>
Total	<u>\$ 17,720,718</u>	<u>1,065,848</u>	<u>2,285,010</u>	<u>(14,318,941)</u>	<u>(50,919)</u>	<u>(14,369,860)</u>
General Revenues & Transfers:						
Property tax levied for:						
General purposes				\$ 5,101,486	-	5,101,486
Capital outlay				602,103	-	602,103
Income surtax				743,008	-	743,008
Statewide sales, services and use tax				1,306,662	-	1,306,662
Unrestricted state grants				8,316,683	-	8,316,683
Unrestricted investment earnings				37,440	992	38,432
Other general revenues				54,601	-	54,601
Transfers				756	(756)	-
Total general revenues and transfers				<u>16,162,739</u>	<u>236</u>	<u>16,162,975</u>
Change in net position				1,843,798	(50,683)	1,793,115
Net position beginning of year				<u>10,895,812</u>	<u>254,368</u>	<u>11,150,180</u>
Net position end of year				<u>\$ 12,739,610</u>	<u>203,685</u>	<u>12,943,295</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 3,846,108	2,635,943	438,463	6,920,514
Receivables:				
Property tax:				
Delinquent	61,596	7,151	3,858	72,605
Succeeding year	4,727,554	868,654	325,000	5,921,208
Income surtax	450,617	225,309	-	675,926
Accounts	21,287	480	150	21,917
Due from other funds	4,732	-	228	4,960
Due from other governments	376,223	304,526	-	680,749
Prepaid expenses	264	-	305	569
TOTAL ASSETS	\$ 9,488,381	4,042,063	768,004	14,298,448
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 228	-	-	228
Accounts payable	142,932	48,300	30,710	221,942
Deposits payable	-	100,000	-	100,000
Salaries and benefits payable	1,748,712	-	-	1,748,712
Deferred revenue:				
Succeeding year property tax	4,727,554	868,654	325,000	5,921,208
Income surtax	450,617	225,309	-	675,926
Other	650	-	-	650
Total liabilities	7,070,693	1,242,263	355,710	8,668,666
Fund balances:				
Nonspendable	264	-	305	569
Restricted for:				
Categorical funding	302,585	-	-	302,585
School infrastructure	-	1,743,625	-	1,743,625
Physical plant and equipment levy	-	1,056,175	-	1,056,175
Management levy purposes	-	-	171,280	171,280
Student activities	-	-	240,709	240,709
Committed for instructional support levy	190,573	-	-	190,573
Unassigned	1,924,266	-	-	1,924,266
Total fund balances	2,417,688	2,799,800	412,294	5,629,782
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,488,381	4,042,063	768,004	14,298,448

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY 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)	\$	5,629,782
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		5,935,630
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		848,419
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		675,926
Long-term liabilities, including, termination benefits payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(350,147)</u>
Net position of governmental activities(page 18)	\$	<u>12,739,610</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 5,271,335	1,979,268	300,686	7,551,289
Tuition	311,436	-	-	311,436
Other	346,169	12,144	313,486	671,799
State sources	9,217,295	165,169	219	9,382,683
Federal sources	665,053	-	-	665,053
Total revenues	<u>15,811,288</u>	<u>2,156,581</u>	<u>614,391</u>	<u>18,582,260</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,112,652	-	159,841	6,272,493
Special	2,752,089	-	-	2,752,089
Other	2,186,089	-	294,298	2,480,387
	<u>11,050,830</u>	<u>-</u>	<u>454,139</u>	<u>11,504,969</u>
Support services:				
Student	566,996	-	2,058	569,054
Instructional staff	552,993	27,486	3,775	584,254
Administration	1,598,246	2,500	58,852	1,659,598
Operation and maintenance of plant	1,103,211	13,855	105,516	1,222,582
Transportation	412,004	48,500	23,109	483,613
	<u>4,233,450</u>	<u>92,341</u>	<u>193,310</u>	<u>4,519,101</u>
Non-instructional programs:				
Food service operations	-	-	8,582	8,582
Capital outlay	-	427,902	-	427,902
Other expenditures:				
AEA flowthrough	627,053	-	-	627,053
TOTAL EXPENDITURES	<u>15,911,333</u>	<u>520,243</u>	<u>656,031</u>	<u>17,087,607</u>
Excess(Deficiency) of revenues over(under) expenditures	(100,045)	1,636,338	(41,640)	1,494,653
OTHER FINANCING SOURCES(USES):				
Transfer in	4,336	-	-	4,336
Transfer out	-	-	(3,580)	(3,580)
Sale of equipment	7,885	-	-	7,885
Proceeds from sale of real property	-	25,000	-	25,000
Insurance proceeds	20,466	-	-	20,466
TOTAL OTHER FINANCING SOURCES(USES)	<u>32,687</u>	<u>25,000</u>	<u>(3,580)</u>	<u>54,107</u>
Change in fund balances	(67,358)	1,661,338	(45,220)	1,548,760
Fund balances beginning of year	2,485,046	1,138,462	457,514	4,081,022
Fund balances end of year	<u>\$ 2,417,688</u>	<u>2,799,800</u>	<u>412,294</u>	<u>5,629,782</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22)	\$	1,548,760
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and loss on disposal exceeded capital outlays in the current year as follows:		
Capital outlays	\$ 337,875	
Depreciation expense	(401,074)	
Loss on disposal	<u>(17,347)</u>	(80,546)
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds		
		37,205
 Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		
		327,203
 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.		
Termination benefits	128,747	
Compensated absences	3,725	
Other postemployment benefits	<u>(121,296)</u>	<u>11,176</u>
 Changes in net position of governmental activities(page 19)	 \$	 <u><u>1,843,798</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 176,699	1,072,849
Accounts receivable	-	6,940
Due from other governments	3,314	-
Inventories	26,616	-
Total current assets	<u>206,629</u>	<u>1,079,789</u>
Non-current assets:		
Capital assets, net of accumulated depreciation	85,675	-
TOTAL ASSETS	<u>292,304</u>	<u>1,079,789</u>
LIABILITIES		
Current liabilities:		
Due to other funds	4,732	-
Salaries and benefits payable	63,445	12,520
Incurred but not reported claims	-	218,850
Unearned revenue	12,610	-
Total current liabilities	<u>80,787</u>	<u>231,370</u>
Long-term liabilities:		
Net OPEB liability	7,832	-
TOTAL LIABILITIES	<u>88,619</u>	<u>231,370</u>
NET POSITION		
Invested in capital assets	85,675	-
Unrestricted	118,010	848,419
TOTAL NET POSITION	<u>\$ 203,685</u>	<u>848,419</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 343,192	-
Miscellaneous	-	2,132,579
TOTAL OPERATING REVENUES	343,192	2,132,579
OPERATING EXPENSES:		
Support services:		
Administration:		
Salaries	16,579	-
Benefits	10,985	-
Services	1,541	1,811,311
Operation and maintenance of plant:		
Services	7,597	-
Supplies	6,060	-
TOTAL SUPPORT SERVICES	42,762	1,811,311
Non-instructional programs:		
Food service operations:		
Salaries	341,194	-
Benefits	117,509	-
Services	275	-
Supplies	429,108	-
Depreciation	13,447	-
TOTAL NON-INSTRUCTIONAL PROGRAMS	901,533	-
TOTAL OPERATING EXPENSES	944,295	1,811,311
OPERATING INCOME(LOSS)	(601,103)	321,268
NON-OPERATING REVENUES:		
State sources	7,931	-
Federal sources	542,253	-
Interest on investments	992	5,935
TOTAL NON-OPERATING REVENUES	551,176	5,935
Increase(Decrease) in net position before other financing uses:	(49,927)	327,203
OTHER FINANCING USES:		
Transfer out	(756)	-
Increase(Decrease) in net position	(50,683)	327,203
Net position beginning of year	254,368	521,216
Net position end of year	\$ 203,685	848,419

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 344,770	-
Cash received from miscellaneous operating activities	-	2,188,568
Cash payments to employees for services	(485,720)	(42,428)
Cash payments to suppliers for goods or services	(384,135)	(1,831,731)
Net cash provided by(used in) operating activities	<u>(525,085)</u>	<u>314,409</u>
Cash flows from non-capital financing activities:		
Repayment of interfund loan to the General Fund	(1,875)	-
Transfer to General Fund	(756)	-
State grants received	7,931	-
Federal grants received	478,692	-
Net cash provided by non-capital financing activities	<u>483,992</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,251)	-
Cash flows from investing activities:		
Interest on investments	992	5,935
Net increase(decrease) in cash and cash equivalents	(41,352)	320,344
Cash and cash equivalents at beginning of year	218,051	752,505
Cash and cash equivalents at end of year	<u>\$ 176,699</u>	<u>1,072,849</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (601,103)	321,268
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	66,463	-
Depreciation	13,447	-
Increase in inventories	(5,978)	-
Decrease in accounts receivable	242	55,989
Decrease in incurred but not reported claims	-	(70,850)
Decrease in accounts payable	(39)	-
Increase(Decrease) in salary and benefits payable	(1,931)	8,002
Decrease in compensated absences	(1,964)	-
Increase in other postemployment benefits	4,442	-
Increase in unearned revenue	1,336	-
Net cash provided by(used in) operating activities	<u>\$ (525,085)</u>	<u>314,409</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$66,463.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 254,811	3,047
Interest receivable	193	-
TOTAL ASSETS	255,004	3,047
LIABILITIES		
Accounts payable	-	437
Due to other groups	-	2,610
TOTAL LIABILITIES	-	3,047
NET POSITION		
Restricted for scholarships	\$ 255,004	-

SEE NOTES TO FINANCIAL STATEMENTS

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

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 900
Interest income	8,727
TOTAL ADDITIONS	<u> 9,627</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u> 12,820</u>
Change in net position	(3,193)
Net position beginning of year	<u> 258,197</u>
Net position end of year	<u><u> \$ 255,004</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

CHARLES CITY COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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 the following categories:

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

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 not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which 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 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 major proprietary fund:

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

The District also reports another proprietary fund:

The Internal Service Fund is used to account for the District's self-insured employee health insurance plan and the employee's flexible spending plan.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measureable 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 - assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating 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 balance 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 taxes in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes 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 Other Governments - Due from other governments represents the 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 governmental 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, 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	\$ 2,000
Buildings	2,000
Land improvements	2,000
Intangibles	125,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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 revenues consist of unspent federal 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 Revenues - 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 on the Statement of Net Position in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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

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

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

Unassigned - All amounts not included in preceding 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.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District’s deposits in banks 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 \$12,854 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 and Poor’s Financial Services.

Note 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	Nutrition	\$ 4,732
Student Activity	General	228
Total		<u>\$ 4,960</u>

The Nutrition Fund is repaying the General Fund for salaries and benefits not repaid before year end.

The General Fund is repaying the Student Activity Fund for trip expenses paid by the Art Club in the Student Activity Fund. The Fine Arts Century Club, which is part of the General Fund, should have paid the expense.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Student Activity	\$ 3,580
General	Nutrition	756
Total		<u>\$ 4,336</u>

The transfer from the Student Activity Fund to the General Fund was to repay trip expenses paid by the General Fund, such as mileage and fuel costs, for various District Student Activity clubs.

The transfer from the Nutrition Fund to the General Fund was to move revenue for the District’s team nutrition grant and to repay utility expenses paid for the District’s summer food program.

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 325,000	-	9,000	316,000
Construction in progress	1,357,088	11,716	1,357,088	11,716
Total capital assets not being depreciated	<u>1,682,088</u>	<u>11,716</u>	<u>1,366,088</u>	<u>327,716</u>
Capital assets being depreciated:				
Buildings	10,460,111	1,532,870	-	11,992,981
Machinery and equipment	2,419,913	159,377	189,212	2,390,078
Total capital assets being depreciated	<u>12,880,024</u>	<u>1,692,247</u>	<u>189,212</u>	<u>14,383,059</u>
Less accumulated depreciation for:				
Buildings	6,815,652	249,186	-	7,064,838
Machinery and equipment	1,730,284	151,888	171,865	1,710,307
Total accumulated depreciation	<u>8,545,936</u>	<u>401,074</u>	<u>171,865</u>	<u>8,775,145</u>
Total capital assets being depreciated, net	<u>4,334,088</u>	<u>1,291,173</u>	<u>17,347</u>	<u>5,607,914</u>
Governmental activities capital assets, net	<u>\$ 6,016,176</u>	<u>1,302,889</u>	<u>1,383,435</u>	<u>5,935,630</u>
Business type activities:				
Machinery and equipment	\$ 531,476	1,251	1,451	531,276
Less accumulated depreciation	433,605	13,447	1,451	445,601
Business type activities capital assets, net	<u>\$ 97,871</u>	<u>(12,196)</u>	<u>-</u>	<u>85,675</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 22,097
Other	12,400
Support services:	
Instructional staff	4,462
Administration	5,610
Operation and maintenance of plant	30,122
Transportation	77,197
	<u>151,888</u>
Unallocated depreciation	<u>249,186</u>
Total governmental activities depreciation expense	<u>\$ 401,074</u>
Business type activities:	
Food services	<u>\$ 13,447</u>

Note 6. Long-Term Debt

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Termination Benefits	\$ 220,877	2,656	131,403	92,130	51,060
Compensated Absences	39,892	36,167	39,892	36,167	36,167
Net OPEB Liability	100,554	121,296	-	221,850	-
Total	\$ 361,323	160,119	171,295	350,147	87,227
Business Type Activities:					
Compensated Absences	\$ 1,964	-	1,964	-	-
Net OPEB Liability	3,390	4,442	-	7,832	-
Total	\$ 5,354	4,442	1,964	7,832	-

Termination Benefits - (Early Retirement)

In prior years, the District approved a voluntary early retirement plan for its employees. The plan was only offered to employees for only one year. Eligible employees must have been at least age fifty-five and employees must have completed fifteen years of full-time service to the District. Employees must complete an application which is subject to approval by the Board of Education.

At June 30, 2013, the District has obligations to eight participants with a total liability of \$92,130. The increase of \$2,656 was due to an increase in the premium rate paid to retirees. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$131,403. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

Note 7. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug and dental benefits for retirees and their spouses. There are 174 active and 29 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for 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	\$ 228,448
Interest on net OPEB obligation	2,599
Adjustment to annual required contribution	(11,129)
Annual OPEB cost	<u>219,918</u>
Contributions made	<u>(94,180)</u>
Increase in net OPEB obligation	125,738
Net OPEB obligation beginning of year	<u>103,944</u>
Net OPEB obligation end of year	<u><u>\$ 229,682</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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 \$94,180 to the medical plan.

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 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 46,139	214.75 %	\$ 77,955
2012	117,753	77.92	103,944
2013	219,918	42.83	229,682

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 approximately \$1.498 million with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.498 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8.925 million and the ratio of the UAAL to covered payroll was 16.8%. 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. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques 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 frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Current claim costs of the medical plan are as follows: 95% plan for single for \$516 per month; 95% plan for family for \$1,298 per month; and 100% plan for single for \$539 per month, and 100% plan for Family for \$1,354 per month. Post age 65 expected claims cost are assumed to equal retiree contributions. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$884,092, \$786,836 and \$670,209, respectively, equal to the required contributions for each year.

Note 9. Risk Management

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

Payments are made based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. At June 30, 2013, the plan balance was \$848,419. The incurred but unpaid claims liability of \$218,850 reported in the plan at June 30, 2013, is based on the requirements of GASB Statement Number 10 and is set up as a liability on the Statement of Net Position.

Charles City 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 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 \$627,053 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.

Note 11. Construction Commitments

The District has entered into various contracts totaling \$25,000 for a project to construct a press box at the District’s athletic fields. As of June 30, 2013, costs of \$11,716 had been incurred against the contracts. The balance of \$13,284 remaining at June 30, 2013 will be paid as work on the projects progresses.

Note 12. Categorical Funding

The District’s restricted balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 51,303
Gifted and talented	40,814
Dropout and dropout prevention	48,508
Nonpublic textbook services	3,053
Four-year old state voluntary preschool	33,237
Professional development for model core curriculum	89,068
Professional development	25,282
Market factor incentives	11,320
Total	\$ 302,585

Note 13. Subsequent Events

On July 11, 2013, the District issued \$10,000,000 in revenue bonds for the purpose of constructing a new building for the District’s Middle School. After the September 2013 school board election, the new middle school project was put on hold, as the new school board decides what projects to pursue with the bond proceeds.

Note 14. 28 E Facility Shared Use Agreement with the City of Charles City

The District participates in a shared use agreement with the City of Charles City for the use of a studio facility that is located at the District’s High School Building. This agreement is part of a cable franchise ordinance to provide a dedicated cable channel for full-time transmission of public educational and governmental programming as well as the creation of a community education network (PEG and CEN channels). The agreement remains in effect for any fiscal year the District accepts the subsidy from the City of Charles City for the use of the District’s studio.

The following are terms agreed upon by the District and the City of Charles City concerning the use of the District’s studio.

The City of Charles City shall pay the District an annual contribution, with payments due each year on the anniversary of the first payment. When the agreement was signed the first year contribution was set at \$32,630.14. This contribution shall be determined on an annual basis but shall not increase by more than 5% of the prior year’s contribution. The City and District agree to negotiate a reduction in or reimbursement of a portion of this fee if the School District does not employ both a technical coordinator and technical assistant during the entire year in which contributions are made. During the year ended June 30, 2013 the District received contributions from the city of \$35,975.

The District shall provide a facility in the Charles City High School for use by the citizens of Charles City in producing programs for transmission over the PEG channel. This facility shall be open 12 months of each year during the length of the agreement. The Governing Board shall establish regular hours for use of the facility and also develop rules and regulations governing access, use, equipment, type and content of programming, and the technical training required for those who use the studio facility. The District shall also employ a qualified full-time technical assistant who supervises the use of the studio facility. The District shall also provide the services of a qualified full-time technical coordinator to supervise the technical assistant and provide assistance to the City in creation and operation of the CEN system.

Required Supplementary Information

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

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 8,534,524	344,184	8,878,708	8,858,124	8,858,124	20,584
State sources	9,382,683	7,931	9,390,614	9,496,723	9,496,723	(106,109)
Federal sources	665,053	542,253	1,207,306	1,146,000	1,146,000	61,306
Total revenues	18,582,260	894,368	19,476,628	19,500,847	19,500,847	(24,219)
Expenditures/Expenses:						
Instruction	11,504,969	-	11,504,969	12,098,000	12,098,000	593,031
Support services	4,519,101	42,762	4,561,863	4,702,700	4,702,700	140,837
Non-instructional programs	8,582	901,533	910,115	911,000	911,000	885
Other expenditures	1,054,955	-	1,054,955	3,974,054	3,974,054	2,919,099
Total expenditures/expenses	17,087,607	944,295	18,031,902	21,685,754	21,685,754	3,653,852
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,494,653	(49,927)	1,444,726	(2,184,907)	(2,184,907)	3,629,633
Other financing sources, net	54,107	(756)	53,351	20,750	20,750	32,601
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/ expenses	1,548,760	(50,683)	1,498,077	(2,164,157)	(2,164,157)	3,662,234
Balance beginning of year	4,081,022	254,368	4,335,390	4,783,781	4,783,781	(448,391)
Balance end of year	\$ 5,629,782	203,685	5,833,467	2,619,624	2,619,624	3,213,843

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(EXPRESSED IN THOUSANDS)
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)
2009	July 1, 2008	\$ -	\$ 1,079	\$ 1,079	0.0 %	8,794	12.3 %
2010	July 1, 2008	-	1,079	1,079	0.0	9,087	11.9
2011	July 1, 2010	-	1,177	1,177	0.0	8,293	14.2
2012	July 1, 2010	-	1,177	1,177	0.0	8,643	13.6
2013	July 1, 2012	-	1,498	1,498	0.0	8,925	16.8

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

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

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 177,922	260,541	438,463
Receivables:			
Property tax:			
Delinquent	3,858	-	3,858
Succeeding year	325,000	-	325,000
Accounts	-	150	150
Due from other funds	-	228	228
Prepaid expenses	-	305	305
TOTAL ASSETS	\$ 506,780	261,224	768,004
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 10,500	20,210	30,710
Deferred revenue:			
Succeeding year property tax	325,000	-	325,000
Total liabilities	335,500	20,210	355,710
Fund balances:			
Restricted for:			
Nonspendable	-	305	305
Management levy purposes	171,280	-	171,280
Student activities	-	240,709	240,709
Total fund balances	171,280	241,014	412,294
TOTAL LIABILITIES AND FUND BALANCES	\$ 506,780	261,224	768,004

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 300,686	-	300,686
Other	21,760	291,726	313,486
State sources	219	-	219
TOTAL REVENUES	322,665	291,726	614,391
EXPENDITURES:			
Current:			
Instruction			
Regular	159,841	-	159,841
Other	-	294,298	294,298
Support services:			
Student	2,058	-	2,058
Instructional staff	3,775	-	3,775
Administration	56,569	2,283	58,852
Operation and maintenance of plant	104,516	1,000	105,516
Transportation	17,854	5,255	23,109
Non-instructional programs:			
Food service operations	8,582	-	8,582
TOTAL EXPENDITURES	353,195	302,836	656,031
Deficiency of revenues under expenditures	(30,530)	(11,110)	(41,640)
OTHER FINANCING USES:			
Transfer out	-	(3,580)	(3,580)
Change in fund balances	(30,530)	(14,690)	(45,220)
Fund balances beginning of year	201,810	255,704	457,514
Fund balances end of year	\$ 171,280	241,014	412,294

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,586,340	1,049,603	2,635,943
Receivables:			
Property tax:			
Delinquent	-	7,151	7,151
Succeeding year	-	868,654	868,654
Income surtax	-	225,309	225,309
Accounts	480	-	480
Due from other governments	304,526	-	304,526
TOTAL ASSETS	\$ 1,891,346	2,150,717	4,042,063
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 47,721	579	48,300
Deposits payable	100,000	-	100,000
Deferred revenue:			
Property tax:			
Succeeding year	-	868,654	868,654
Income surtax	-	225,309	225,309
Total liabilities	147,721	1,094,542	1,242,263
Fund balances:			
Restricted for:			
School infrastructure	1,743,625	-	1,743,625
Physical plant and equipment levy	-	1,056,175	1,056,175
Total fund balances	1,743,625	1,056,175	2,799,800
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,891,346	2,150,717	4,042,063

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,141,897	837,371	1,979,268
Other	7,905	4,239	12,144
State sources	164,765	404	165,169
TOTAL REVENUES	<u>1,314,567</u>	<u>842,014</u>	<u>2,156,581</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	-	27,486	27,486
Administration	-	2,500	2,500
Operation and maintenance of plant	-	13,855	13,855
Transportation	-	48,500	48,500
Capital outlay	416,536	11,366	427,902
TOTAL EXPENDITURES	<u>416,536</u>	<u>103,707</u>	<u>520,243</u>
Excesss of revenues over expenditures	898,031	738,307	1,636,338
OTHER FINANCING SOURCES:			
Proceeds from sale of real property	-	25,000	25,000
Change in fund balances	898,031	763,307	1,661,338
Fund balances beginning of year	845,594	292,868	1,138,462
Fund balances end of year	<u>\$ 1,743,625</u>	<u>1,056,175</u>	<u>2,799,800</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund & Interfund Transfers	Balance End of Year
COMET DRAMA	\$ 6,651	7,901	7,551	53	7,054
SPEECH CLUB	23	715	240	4	502
HS MUSICAL	2,848	5,290	4,244	30	3,924
CHIOR ROBES	762	24	135	5	656
GENERAL VOCAL ACTIVITY	16,251	1,000	1,288	122	16,085
MIDDLE SCHOOL MUSICAL	10,443	-	-	80	10,523
MARCHING BAND	9,387	6,678	4,830	86	11,321
JAZZ BAND	910	2,330	2,891	3	352
INSTRUMENTAL MUSIC	4,654	-	791	36	3,899
HS ORCHESTRA	1,439	100	-	12	1,551
MS BAND/ORCHESTRA	1,108	6,473	6,424	10	1,167
BAND FEES	519	1,069	1,422	1	167
ATHLETIC FUND	59,786	84,463	91,379	(3,102)	49,768
GIRLS TRACK	2,097	-	351	13	1,759
GIRLS CROSS COUNTRY	459	-	-	4	463
BOYS CROSS COUNTRY	179	1,964	2,132	-	11
SPORTSMAN'S PARK	9,324	12,167	3,586	142	18,047
CONCESSION STAND	48,281	45,957	62,681	235	31,792
BOYS BASKETBALL	850	1,296	1,066	8	1,088
FOOTBALL CLUB	16,315	11,666	23,233	39	4,787
BASEBALL CLUB	12,842	4,395	2,996	113	14,354
BOYS TRACK	1,510	45	456	8	1,107
BOYS GOLF	-	2,184	1	17	2,200
HS WRESTLING	71	-	23	-	48
GIRLS BASKETBALL	721	6,563	649	51	6,686
VOLLEYBALL FUND	1,131	2,101	1,981	10	1,261
GIRLS TENNIS	-	332	-	3	335
GIRLS GOLF	-	38	-	-	38
GIRLS SWIMMING CLUB	487	1,600	1,267	6	826
HS CHEERLEADERS	2,530	4,837	4,371	23	3,019
ANNUAL	5,957	12,914	13,667	40	5,244
ART CLUB	-	135	135	-	-
INFORMATION TECH CLUB	244	308	504	-	48
ALTERNATIVE HS ANNUAL	224	482	697	-	9
FUTURE BUSINESS LEADERS	-	1,827	1,827	-	-
FFA	5,380	36,991	37,055	80	5,396
GERMAN CLUB	5,822	4,149	4,029	45	5,987
SCHOOL IMPROVEMENT ASSISTANCE	2,074	6,059	4,108	955	4,980
CAP AND GOWN FUND	97	4,093	4,189	-	1
CLASS OF 2012	1,479	-	462	(1,017)	-
CLASS OF 2013	2,249	-	1,013	7	1,243
CLASS OF 2014	101	6,178	4,516	16	1,779
CLASS OF 2015	101	-	-	-	101
CLASS OF 2016	-	-	-	101	101
INDUSTRIAL TECHNOLOGY	612	99	-	6	717
FCS CLUB	1,264	-	83	9	1,190
FCCLA	1,878	1,176	736	18	2,336
MS ANNUAL	3,469	1,170	1,217	26	3,448
MS STUDENT COUNCIL	2,790	2,976	2,610	24	3,180
MS BAND UNIFORM	7,115	-	-	54	7,169
POOL SUPPORT	3,270	-	-	25	3,295
INTEREST	-	1,981	-	(1,981)	-
TOTALS	\$ 255,704	291,726	302,836	(3,580)	241,014

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2013

	Governmental Activities: Internal Service Funds		
	Medical	Flex	Total
ASSETS			
Cash and pooled investments	\$ 1,060,329	12,520	1,072,849
Accounts receivable	6,940	-	6,940
TOTAL ASSETS	1,067,269	12,520	1,079,789
LIABILITIES			
Salaries and benefits payable	-	12,520	12,520
Incurred but not reported claims	218,850	-	218,850
TOTAL LIABILITIES	218,850	12,520	231,370
NET POSITION	\$ 848,419	-	848,419

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN NET POSITION
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2013

	Governmental Activities: Internal Service Funds		
	Medical	Flex	Total
OPERATING REVENUES:			
Local sources:			
Miscellaneous	\$ 2,082,149	50,430	2,132,579
OPERATING EXPENSES:			
Support services:			
Administration:			
Services	1,760,881	50,430	1,811,311
OPERATING INCOME	321,268	-	321,268
NON-OPERATING REVENUES:			
Interest income	5,935	-	5,935
Change in net position	327,203	-	327,203
Net position beginning of year	521,216	-	521,216
Net position end of year	\$ 848,419	-	848,419

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2013

	Governmental Activities: Internal Service Funds		
	Medical	Flex	Total
Cash flows from operating activities:			
Cash received from miscellaneous	\$ 2,138,138	50,430	2,188,568
Cash payments to employees for services	-	(42,428)	(42,428)
Cash payments to suppliers for goods or services	(1,831,731)	-	(1,831,731)
Net cash provided by operating activities	<u>306,407</u>	<u>8,002</u>	<u>314,409</u>
Cash flows from investing activities:			
Interest on investments	<u>5,935</u>	-	<u>5,935</u>
Net increase in cash and cash equivalents	312,342	8,002	320,344
Cash and cash equivalents at beginning of year	<u>747,987</u>	<u>4,518</u>	<u>752,505</u>
Cash and cash equivalents at end of year	<u>\$ 1,060,329</u>	<u>12,520</u>	<u>1,072,849</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 321,268	-	321,268
Adjustments to reconcile operating income to net cash provided by operating activities:			
Decrease in accounts receivable	55,989	-	55,989
Decrease in incurred but not reported claims	(70,850)	-	(70,850)
Increase in salaries and benefits payable	-	8,002	8,002
Net cash provided by operating activities	<u>\$ 306,407</u>	<u>8,002</u>	<u>314,409</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST – SCHOLARSHIP FUNDS
 JUNE 30, 2013

	Private Purpose Trust - Scholarship											
	Davis Scholarship	Debes Scholarship	Hagman Scholarship	Koenigsfeld Scholarship	Koebrick Scholarship	Santee Scholarship	Miller Scholarship	Aspenwal Scholarship	Rodenbeck Scholarship	Miscellaneous Annual	Activities	Total
ASSETS												
Cash and pooled investments	\$ 35,939	26,137	15,109	20,277	135,038	12,325	4,534	3,899	107	1,446	-	254,811
Interest receivable	-	-	-	-	-	-	-	-	-	-	193	193
TOTAL ASSETS	35,939	26,137	15,109	20,277	135,038	12,325	4,534	3,899	107	1,446	193	255,004
LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
NET POSITION												
Restricted for scholarships	\$ 35,939	26,137	15,109	20,277	135,038	12,325	4,534	3,899	107	1,446	193	255,004

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST – SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund											
	Davis Scholarship	Debes Scholarship	Hagman Scholarship	Koenigsfeld Scholarship	Koebrick Scholarship	Santee Scholarship	Miller Scholarship	Aspenwal Scholarship	Rodenbeck Scholarship	Miscellaneous Annual	Activities	Total
ADDITIONS:												
Local sources:												
Gifts and contributions	\$ -	-	-	-	-	-	-	-	-	900	-	900
Interest income	1,250	907	469	276	4,809	431	585	-	-	-	-	8,727
TOTAL ADDITIONS	1,250	907	469	276	4,809	431	585	-	-	900	-	9,627
DEDUCTIONS:												
Instruction:												
Regular:												
Scholarships awarded	1,325	1,935	470	6,845	230	565	-	-	-	1,450	-	12,820
Change in net position	(75)	(1,028)	(1)	(6,569)	4,579	(134)	585	-	-	(550)	-	(3,193)
Net position beginning of year	36,014	27,165	15,110	26,846	130,459	12,459	3,949	3,899	107	1,996	193	258,197
Net position end of year	\$ 35,939	26,137	15,109	20,277	135,038	12,325	4,534	3,899	107	1,446	193	255,004

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 2,722	27,539	27,214	3,047
LIABILITIES				
Accounts payable	-	437	-	437
Due to other groups	2,722	27,102	27,214	2,610
TOTAL LIABILITIES	\$ 2,722	27,539	27,214	3,047

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
 ALL GOVERNMENTAL FUNDS
 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	\$ 7,551,289	7,869,789	7,375,092	6,441,571	6,168,489	5,131,442	4,912,590	4,571,538	4,619,362	4,698,236
Tuition	311,436	374,700	309,235	326,961	348,519	312,904	396,504	460,364	459,662	371,529
Other	671,799	713,205	811,234	667,496	597,161	1,685,467	1,682,809	1,534,559	1,522,336	1,152,315
State sources	9,382,683	9,028,850	8,549,263	7,668,261	8,972,837	8,865,233	8,227,947	7,534,562	7,440,199	7,378,708
Federal sources	665,053	685,712	1,292,799	1,881,828	857,927	693,981	635,238	616,115	747,219	888,327
Total	\$ 18,582,260	18,672,256	18,337,623	16,986,117	16,944,933	16,689,027	15,855,088	14,717,138	14,788,778	14,489,115
Expenditures:										
Instruction:										
Regular	\$ 6,272,493	6,580,888	5,909,452	5,989,758	5,709,435	5,773,206	5,568,168	4,980,929	4,922,245	5,424,786
Special	2,752,089	2,581,622	2,532,775	2,632,367	2,735,995	2,463,608	2,416,275	2,188,725	2,225,711	2,442,470
Other	2,480,387	2,492,778	2,445,630	2,622,592	2,083,600	1,889,948	1,673,997	1,721,394	1,609,656	900,243
Support services:										
Student	569,054	522,673	515,715	535,423	517,097	493,054	455,475	383,759	388,134	396,687
Instructional staff	584,254	669,982	794,983	1,006,347	643,351	619,841	645,251	527,392	504,465	541,940
Administration	1,659,598	1,558,923	1,458,075	1,481,525	1,624,194	1,626,294	1,579,486	1,350,392	1,351,384	1,315,514
Operation and maintenance of plant	1,222,582	1,205,821	1,187,807	1,219,740	1,217,087	1,271,245	1,206,095	1,181,525	1,241,632	1,597,972
Transportation	483,613	533,537	542,626	489,317	468,449	472,789	458,751	435,304	450,365	282,541
Non-instructional programs	8,582	7,942	10,193	10,470	10,372	28,421	9,210	10,392	6,257	6,436
Capital outlay	427,902	1,926,871	646,726	842,263	707,028	834,063	1,045,763	1,547,041	399,303	559,612
Long-term debt:										
Principal	-	-	-	250,000	240,000	225,000	215,000	205,000	210,157	204,111
Interest and fiscal charges	-	-	-	13,750	26,710	40,537	50,143	61,828	73,381	84,514
Other expenditures:										
AEA flow-through	627,053	636,252	701,884	698,523	600,931	577,604	543,828	503,072	501,216	510,672
Total	\$ 17,087,607	18,717,289	16,745,866	17,792,075	16,584,249	16,315,610	15,867,442	15,096,753	13,883,906	14,267,498

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	82,174
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	437,031 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 13	8,516
			<u>527,721</u>
TEAM NUTRITION GRANT	10.574	FY 13	<u>571</u>
CHILD AND ADULT FOOD CARE PROGRAM	10.558	FY 13	<u>13,961</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1116-G	341,201
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1116-GC	8,338
			<u>349,539</u>
RURAL EDUCATION ACHEIVEMENT PROGRAM	84.358	FY 13	<u>30,067</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 13	<u>86,431</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 13	<u>10,042</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 13	90,888
SPECIAL EDUCATION - GRANTS TO STATES (PART B) -HIGH COST CLAIM	84.027	FY 13	2,774
			<u>93,662</u>
MASON CITY COMMUNITY SCHOOL DISTRICT:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	<u>17,701</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
FLOYD, COUNTY, IOWA:			
CENTER FOR DISEASE CONTROL AND PREVENTION INVESTIGATIONS AND TECHINICAL ASSISTANCE	93.283	FY12	<u>108</u>
TOTAL			<u>\$ 1,129,803</u>

* Includes \$66,463 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Charles City Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Charles City Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charles City Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Charles City Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that 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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

Compliance and Other Matters

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

Members American Institute & Iowa Society of Certified Public Accountants

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.

Charles City Community School District's Responses to Findings

Charles City Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Charles City Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls 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 Charles City Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 7, 2014

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
for Each Major Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

To the Board of Education of Charles City Community School District

Report on Compliance for Each Major Federal Program

We have audited Charles City Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Charles City Community School District's major federal programs for the year ended June 30, 2013. Charles City 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 each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Charles City 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 Charles City Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each federal program. However, our audit does not provide a legal determination on Charles City Community School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

The management of Charles City 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 of compliance, we considered Charles City Community School District's internal control over compliance with requirements with the type of 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 our 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 Charles City Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control 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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-13 to be a material weakness.

Charles City Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Charles City Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls 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.

January 7, 2014

CHARLES CITY 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 noncompliance 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 audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Program:
 - 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
 - Individual Program:
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Charles City Community School District did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-13 Segregation of Duties - One important aspect of internal accounting 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) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 2) Receipts - recording, depositing, journalizing, and posting.
- 3) School lunch program - preparing receipts, and posting to the general ledger.

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 utilizing current personnel, including elected officials.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

CHARLES CITY 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
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 accounting 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) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 2) Receipts - recording, depositing, journalizing, and posting.
- 3) School lunch program - preparing receipts, and posting to the general ledger.

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 utilizing current personnel, including elected officials.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

CHARLES CITY 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 disbursements for the year ended June 30, 2013 did not exceed the amounts budgeted.

IV-B-13 Questionable Disbursements - We noted during our audit that the District purchased gift cards and Charles City Chamber Cash to give to students as prizes for the Elementary Carnival. Gift cards and Chamber Dollars, do not allow the District to audit the final purchase made with District Funds, as a result, Gift cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to ensure all disbursements meet public purpose as defined by the Attorney General's opinion dated April 25, 1979.

Response - The District will not use gift cards and Chamber Dollars for prizes in the future.

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 - No business transactions between the District and District officials were noted.

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 a transfer between the Student Activity and the General Fund and a transfer between the Nutrition Fund and General Fund which were not approved by the Board of Education.

IV-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

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 - 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 were noted

IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Iowa 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 and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance	\$ 845,594
Revenues:	
Sales tax revenues	1,141,897
Other local revenues	7,905
State sources	164,765
Total revenues	<u>1,314,567</u>
Expenditures:	
School infrastructure construction	<u>416,536</u>
Ending balance	<u><u>\$ 1,743,625</u></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 District and Regional Rents - We noted during our audit that the District receives money for the use of facilities when hosting district and regional events. However, we noted an instance where these revenues were recorded in the Student Activity Fund rather than the General Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage during District and Regional athletic events into the General Fund. The District should make a corrective transfer from the Student Activity to General Fund in the amount of \$50.

Response - The District will make the corrective adjustment for the one event where it did not deposit rent money into the General Fund. In the Future the District will deposit rent money into the General Fund for all events.

Conclusion - Response accepted.

IV-N-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

Questionable Expenses: We noted during our audit that the District paid for fertilizer used on the District's baseball field out of the Baseball Activity Account.

Recommendation - Fertilizer expenditures appear to be maintenance related and routine in nature and therefore would be more appropriately paid for from the General Fund. Since expenditures for fertilizer does not appear to be extra-curricular in nature it would be more appropriately paid for from the General Fund rather than the Student Activity Fund.

Response - The District will pay all maintenance related expenses from the General Fund in the future.

Conclusion - Response accepted.

Scholarship Awards: We noted during our audit that a scholarship check was written from the Volleyball account in the Student Activity Fund.

Recommendation - The Private Purpose Trust Fund is more appropriate for scholarship revenues and expenditures. If these groups intend on awarding scholarships each year, the amount of money from fundraising intended for the scholarships should be receipted directly into the Private Purpose Trust Fund.

Response - The District will receipt and pay scholarship transactions from the Private Purpose Trust fund in the future. The Iowa Girls High School Athletic Union provided the District funding for a volleyball scholarship since the District volleyball team participated in the state volleyball tournament.

Conclusion - Response accepted.