

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

JUNE 30, 2014

TABLE OF CONTENTS

			<u>Page</u>
Officials			3
Independent Auditor's Report			4-5
Management Discussion and Analysis (MD&A)			7-16
<u>Basic Financial Statements:</u>	<u>Exhibit</u>		
Government-wide Financial Statements:			
Statement of Net Position	A		18
Statement of Activities	B		19
Governmental Fund Financial Statements:			
Balance Sheet	C		20
Reconciliation of the Balance Sheet - Governmental			
Funds to the Statement of Net Position	D		21
Statement of Revenues, Expenditures and Changes in Fund Balances	E		22
Reconciliation of the Statement of Revenues, Expenditures and Changes			
in Fund Balances - Governmental Funds to the Statement of Activities	F		23
Proprietary Fund Financial Statements:			
Statement of Net Position	G		24
Statement of Revenues, Expenses and Changes in			
Fund Net Position	H		25
Statement of Cash Flows	I		26
Fiduciary Fund Financial Statements:			
Statement of Fiduciary Net Position	J		27
Statement of Changes in Fiduciary Net Position	K		28
Notes to Financial Statements			29-41
<u>Required Supplementary Information:</u>			
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes			
in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund			44
Notes to Required Supplementary Information - Budgetary Reporting			45
Schedule of Funding Progress for the Retiree Health Plan			46
<u>Supplementary Information:</u>	<u>Schedule</u>		
Nonmajor Governmental Funds:			
Combining Balance Sheet	1		48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2		49
Capital Projects Accounts:			
Combining Balance Sheet	3		50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4		51
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5		52
Internal Service Funds:			
Combining Statement of Net Position	6		53
Combining Statement of Revenues, Expenditures and Changes in Net Position	7		54
Combining Statement of Cash Flows	8		55
Scholarship Funds:			
Combining Statement of Fiduciary Net Position	9		56
Combining Statement of Revenues, Expenditures and Changes in			
Fiduciary Net Position	10		57
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	11		58
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	12		59
Schedule of Expenditures of Federal Awards	13		60
Independent Auditor's Report on Internal Control over Financial Reporting and on			
Compliance and Other Matters Based on an Audit of Financial Statements Performed			
in Accordance with <u>Government Auditing Standards</u>			61-62
Independent Auditor's Report on Compliance for Each Major Program and on Internal			
Control over Compliance Required by OMB Circular A-133			63-64
Schedule of Findings and Questioned Costs			65-69

Charles City Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 Election)		
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
(After September 2013 Election)		
James Frisbie	President	2017
Robin Macomber	Vice President	2015
Scott Dight	Board Member	2017
Joey Patten	Board Member (resigned June 2013)	2017
Lorraine Winterink	Board Member	2015
<u>School Officials</u>		
Dr. Dan Cox	Superintendent	2014
Terri O' Brien	District Treasurer/Secretary/ Business Manager	2014
Ahlers Law Firm	Attorney	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 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, 2014, 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, 2014 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 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 third paragraph of this report, the financial statements for the year ended June 30, 2013 and the three years ended June 30, 2009 to June 30, 2011 (which are not presented herein) and expressed unmodified 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 ended June 30, 2012 and the four years ended June 30, 2005 to June 30, 2008 (which are not presented herein) and expressed unmodified 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 December 19, 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.

December 19, 2014
Newton, Iowa

Charles City Community School District

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$15,843,975 in fiscal 2013 to \$16,156,678 in fiscal 2014, while General Fund expenditures increased from \$15,911,333 in fiscal 2013 to \$16,362,123 in fiscal 2014. However, the increase in revenues was not enough to offset the increase in expenditures causing the District's General Fund balance to decrease from \$2,417,688 in fiscal 2013 to \$2,212,243 in fiscal 2014, an 8.50% decrease.
- The increase in General Fund revenues was attributable to an increase in state sources. The increase in expenditures was due to the increase in support services and instructional expenditures.
- At June 30, 2014 the District's solvency ratio was 9.73% as compared to 12.15% at June 30, 2013.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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

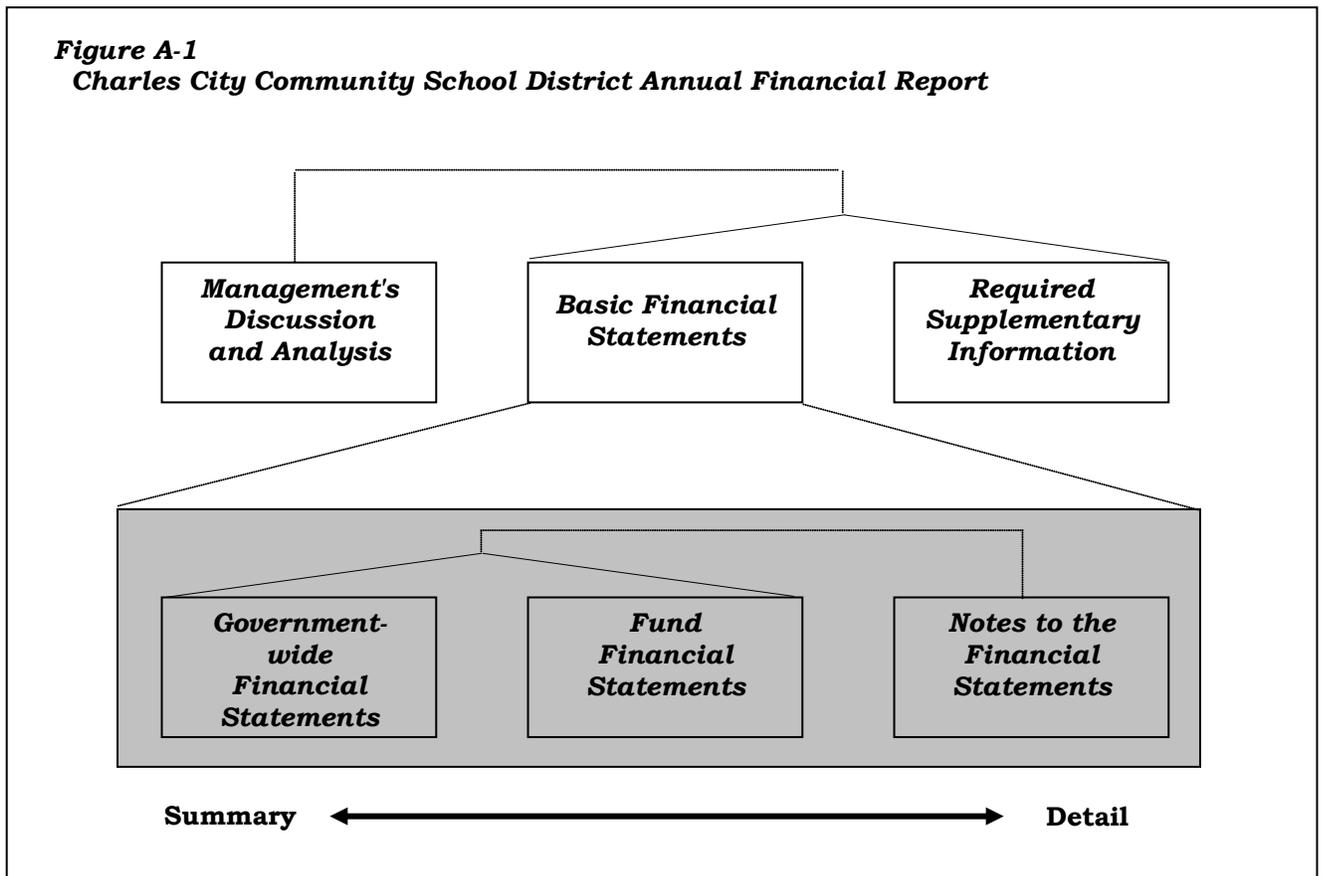


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 is one way to measure the District's financial health or financial 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 27,772,515	15,378,237	250,081	206,629	28,022,596	15,584,866	79.81%
Capital assets	5,913,513	5,935,630	75,311	85,675	5,988,824	6,021,305	-0.54%
Total assets	33,686,028	21,313,867	325,392	292,304	34,011,420	21,606,171	57.42%
Long-term liabilities	10,671,433	350,147	11,968	7,832	10,683,401	357,979	2884.37%
Other liabilities	2,306,842	2,302,902	73,259	80,787	2,380,101	2,383,689	-0.15%
Total liabilities	12,978,275	2,653,049	85,227	88,619	13,063,502	2,741,668	376.48%
Deferred inflows of resources	6,553,703	5,921,208	-	-	6,553,703	5,921,208	10.68%
Net position:							
Net investment in capital assets	4,822,453	5,935,630	75,311	85,675	4,897,764	6,021,305	-18.66%
Restricted	6,553,710	3,422,549	-	-	6,553,710	3,422,549	91.49%
Unrestricted	2,777,887	3,381,431	164,854	118,010	2,942,741	3,499,441	-15.91%
Total net position	\$ 14,154,050	12,739,610	240,165	203,685	14,394,215	12,943,295	11.21%

The District's combined net position increased by 11.21%, or \$1,450,920, 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), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than 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 \$3,131,161 or 91.49% from the prior year. The increase in restricted fund balance is due to unspent bond proceeds from the revenue bond issuance completed during the year.

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 - decreased \$556,700 or 15.91%. This decrease in unrestricted net position was primarily the result of the decrease in fund balance of the District's General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to June 30, 2013.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 791,216	722,656	343,795	343,192	1,135,011	1,065,848	6.49%
Operating grants, contributions and restricted interest	1,782,840	1,734,826	588,513	550,184	2,371,353	2,285,010	3.78%
Capital grants, contributions and restricted interest	274,280	-	-	-	274,280	-	100.00%
General revenues:							
Property tax	5,925,763	5,703,589	-	-	5,925,763	5,703,589	3.90%
Income surtax	591,520	743,008	-	-	591,520	743,008	-20.39%
Statewide sales, services and use tax	1,387,166	1,306,662	-	-	1,387,166	1,306,662	6.16%
Unrestricted state grants	8,499,850	8,316,683	-	-	8,499,850	8,316,683	2.20%
Unrestricted interest income	76,851	37,440	845	992	77,696	38,432	102.16%
Other	167,728	54,601	1,655	-	169,383	54,601	210.22%
Total revenues	19,497,214	18,619,465	934,808	894,368	20,432,022	19,513,833	4.71%
Program expenses:							
Governmental activities:							
Instruction	11,743,618	11,236,443	-	-	11,743,618	11,236,443	4.51%
Support services	5,159,018	4,655,159	47,969	42,762	5,206,987	4,697,921	10.84%
Non-instructional programs	9,545	8,582	850,359	901,533	859,904	910,115	-5.52%
Other expenses	1,170,593	876,239	-	-	1,170,593	876,239	33.59%
Total expenses	18,082,774	16,776,423	898,328	944,295	18,981,102	17,720,718	7.11%
Excess(Deficiency) of revenues over(under) expenditures	1,414,440	1,843,042	36,480	(49,927)	1,450,920	1,793,115	-19.08%
Transfers	-	756	-	(756)	-	-	0.00%
Change in net position	1,414,440	1,843,798	36,480	(50,683)	1,450,920	1,793,115	-19.08%
Net position beginning of year	12,739,610	10,895,812	203,685	254,368	12,943,295	11,150,180	16.08%
Net position end of year	\$ 14,154,050	12,739,610	240,165	203,685	14,394,215	12,943,295	11.21%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 84.14% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.73% of the revenue from business type activities. The District's total revenues were approximately \$20.43 million of which approximately \$19.50 million was for governmental activities and approximately \$0.93 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.71% increase in revenues and a 7.11% increase in expenses. Property tax increased \$222,174 to help fund the increase in expenses. The increase in expenses is related to the increase in negotiated salaries and benefits received by District employees.

Governmental Activities

Revenues for governmental activities were \$19,497,214 and expenses were \$18,082,774 for the year ended June 30, 2014.

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, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 11,743,618	11,236,443	4.51%	9,914,769	9,495,716	4.41%
Support services	5,159,018	4,655,159	10.82%	4,808,685	4,565,457	5.33%
Non-instructional programs	9,545	8,582	11.22%	9,545	8,582	11.22%
Other expenses	1,170,593	876,239	33.59%	501,439	249,186	101.23%
Totals	\$ 18,082,774	16,776,423	7.79%	15,234,438	14,318,941	6.39%

- The cost financed by users of the District's programs was \$791,216.
- Federal and state governments subsidized certain programs with grants and contributions totaling 2,057,120.
- The net cost of governmental activities was financed with \$5,925,763 in property tax, \$591,520 in income surtax, \$1,387,166 in statewide sales, services and use tax, \$8,499,850 in unrestricted state grants, \$76,851 in interest income and \$167,728 in other general revenues.

Business-Type Activities

Revenues of the District's business type activities were \$934,808 and expenses were \$898,328. 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 \$17,593,331, which is more than last year's ending fund balances of \$5,629,782. 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 \$2,417,688 to \$2,212,243, due in part to the increase in support services expenditures during the year.
- The Capital Projects accounts balance increased from \$2,799,800 to \$14,207,725. The increase in Capital Projects accounts balance is due to unspent revenue bond proceeds.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$203,685 at June 30, 2013 to \$240,165 at June 30, 2014, representing an increase of 17.91%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$47,318 less than budgeted revenues, a variance of less than one percent. The most significant dollar variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$5.99 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 0.54% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$418,934.

The original cost of the District's capital assets was \$15.55 million. Governmental funds account for \$15.02 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 \$209,381 at June 30, 2014, compared to \$11,716 at June 30, 2013. This increase resulted from architectural fees associated with the addition to the Middle School building.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
	Land	\$ 316,000	316,000	-	-	316,000	316,000
Construction in progress	209,381	11,716	-	-	209,381	11,716	94.40%
Buildings	4,692,547	4,928,143	-	-	4,692,547	4,928,143	-5.02%
Machinery and equipment	695,585	679,771	75,311	85,675	770,896	765,446	0.71%
Total	\$ 5,913,513	5,935,630	75,311	85,675	5,988,824	6,021,305	-0.54%

Long-Term Debt

At June 30, 2014, the District had \$10,683,401 in other long-term debt outstanding. This represents an increase of 2,884.37% 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 \$291,070 at June 30, 2014.

The District had outstanding revenue bonds of \$10,000,000 at June 30, 2014

The District had total outstanding compensated absences payable from the General Fund of \$41,374 at June 30, 2014.

The District had outstanding Net OPEB liability at June 30, 2014 of \$350,957. Governmental activities accounted for \$338,989 of this total while business type activities accounted for \$11,968.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
	Termination Benefits	\$ 291,070	92,130	-	-	291,070	92,130
Revenue Bonds	10,000,000	-	-	-	10,000,000	-	100.00%
Compensated Absences	41,374	36,167	-	-	41,374	36,167	14.40%
Net OPEB Liability	338,989	221,850	11,968	7,832	350,957	229,682	52.80%
Totals	\$ 10,671,433	350,147	11,968	7,832	10,683,401	357,979	2884.37%

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 2014 enrollment decreased 47.15 students. This decrease in enrollment will negatively impact the District's funding for fiscal year 2015. The District is planning to make budget reductions for fiscal year 2015.

-
- The District's Board of Education is committed to completing a multi-million dollar construction project. A middle school addition to the high school is in the design phase and is expected to be completed by August of 2016. By creating one secondary campus, the District hopes to reduce expenses and improve student achievement through a 21st Century learning environment. The District plans to reduce expenses by sharing some middle school and high school staff, among other economic efficiencies of a single secondary campus.
 - The District has created a team to look at how the current middle school can serve the Charles City community since it no longer will be needed as a school facility. The District hopes to sell the building to an outside entity that will repurpose the building to serve the community in another capacity. The District may continue a small presence in the building by using it for District and technology offices and the alternative high school facility.
 - In July of 2013, the District issued \$10 million dollars of debt for the new construction. The District plans to issue new debt in 2015 to obtain the funding necessary to construct the new middle school.

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.

Basic Financial Statements

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 19,810,248	228,314	20,038,562
Receivables:			
Property tax:			
Delinquent	78,577	-	78,577
Succeeding year	6,553,703	-	6,553,703
Income surtax	471,346	-	471,346
Interest	3,414	-	3,414
Accounts	3,432	411	3,843
Due from other funds	4,168	(4,168)	-
Due from other governments	847,535	3,354	850,889
Inventories	-	22,170	22,170
Prepaid expenses	92	-	92
Capital assets, net of accumulated depreciation	5,913,513	75,311	5,988,824
TOTAL ASSETS	33,686,028	325,392	34,011,420
LIABILITIES			
Accounts payable	151,316	42	151,358
Salaries and benefits payable	1,797,187	60,799	1,857,986
Incurred but not reported claims	228,900	-	228,900
Accrued interest payable	129,439	-	129,439
Unearned revenue	-	12,418	12,418
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	535,000	-	535,000
Termination benefits payable	285,520	-	285,520
Compensated absences payable	41,374	-	41,374
Portion due after one year:			
Revenue bonds payable	9,465,000	-	9,465,000
Termination benefits payable	5,550	-	5,550
Net OPEB liability	338,989	11,968	350,957
TOTAL LIABILITIES	12,978,275	85,227	13,063,502
DEFERED INFLOWS OF RESOURCES			
Unavailable property tax revenue	6,553,703	-	6,553,703
NET POSITION			
Net investment in capital assets	4,822,453	75,311	4,897,764
Restricted for:			
Categorical funding	447,060	-	447,060
School infrastructure	2,277,726	-	2,277,726
Physical plant and equipment	2,233,581	-	2,233,581
Student activities	269,451	-	269,451
Debt service	1,325,892	-	1,325,892
Unrestricted	2,777,887	164,854	2,942,741
TOTAL NET POSITION	\$ 14,154,050	240,165	14,394,215

SEE NOTES TO FINANCIAL STATEMENTS.

**CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,447,650	217,037	221,193	-	(6,009,420)	-	(6,009,420)
Special	2,811,368	131,184	184,999	-	(2,495,185)	-	(2,495,185)
Other	2,484,600	396,461	677,975	-	(1,410,164)	-	(1,410,164)
	<u>11,743,618</u>	<u>744,682</u>	<u>1,084,167</u>	<u>-</u>	<u>(9,914,769)</u>	<u>-</u>	<u>(9,914,769)</u>
Support services:							
Student	760,932	-	20,086	-	(740,846)	-	(740,846)
Instructional staff	578,443	2,211	9,433	-	(566,799)	-	(566,799)
Administration	1,751,760	-	-	-	(1,751,760)	-	(1,751,760)
Operation and maintenance of plant	1,507,118	35,975	-	274,280	(1,196,863)	-	(1,196,863)
Transportation	560,765	8,348	-	-	(552,417)	-	(552,417)
	<u>5,159,018</u>	<u>46,534</u>	<u>29,519</u>	<u>274,280</u>	<u>(4,808,685)</u>	<u>-</u>	<u>(4,808,685)</u>
Non-instructional programs:							
Food service operations	9,545	-	-	-	(9,545)	-	(9,545)
	<u>251,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(251,687)</u>	<u>-</u>	<u>(251,687)</u>
Other expenditures:							
AEA flowthrough	669,154	-	669,154	-	-	-	-
Depreciation(unallocated)*	249,752	-	-	-	(249,752)	-	(249,752)
	<u>918,906</u>	<u>-</u>	<u>669,154</u>	<u>-</u>	<u>(249,752)</u>	<u>-</u>	<u>(249,752)</u>
Total governmental activities	<u>18,082,774</u>	<u>791,216</u>	<u>1,782,840</u>	<u>274,280</u>	<u>(15,234,438)</u>	<u>-</u>	<u>(15,234,438)</u>
Business type activities:							
Support services:							
Administration	30,636	-	-	-	-	(30,636)	(30,636)
Operation and maintenance of plant	17,333	-	-	-	-	(17,333)	(17,333)
Non-instructional programs:							
Food service operations	850,359	343,795	588,513	-	-	81,949	81,949
Total business type activities	<u>898,328</u>	<u>343,795</u>	<u>588,513</u>	<u>-</u>	<u>-</u>	<u>33,980</u>	<u>33,980</u>
Total	<u>\$ 18,981,102</u>	<u>1,135,011</u>	<u>2,371,353</u>	<u>274,280</u>	<u>(15,234,438)</u>	<u>33,980</u>	<u>(15,200,458)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 5,055,206	-	5,055,206
Capital outlay					870,557	-	870,557
Income surtax					591,520	-	591,520
Statewide sales, services and use tax					1,387,166	-	1,387,166
Unrestricted state grants					8,499,850	-	8,499,850
Unrestricted investment earnings					76,851	845	77,696
Other					167,728	1,655	169,383
Total general revenues					<u>16,648,878</u>	<u>2,500</u>	<u>16,651,378</u>
Change in net position					1,414,440	36,480	1,450,920
Net position beginning of year					<u>12,739,610</u>	<u>203,685</u>	<u>12,943,295</u>
Net position end of year					<u>\$ 14,154,050</u>	<u>240,165</u>	<u>14,394,215</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, 2014

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 3,710,206	13,689,148	1,183,797	18,583,151
Receivables:				
Property tax:				
Delinquent	63,497	10,712	4,368	78,577
Succeeding year	5,099,444	904,259	550,000	6,553,703
Income surtax	471,346	-	-	471,346
Interest	-	-	3,414	3,414
Accounts	3,432	-	-	3,432
Due from other funds	4,841	-	-	4,841
Due from other governments	336,840	510,693	2	847,535
Prepaid expenses	55	-	37	92
TOTAL ASSETS	\$ 9,689,661	15,114,812	1,741,618	26,546,091
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 438	-	235	673
Accounts payable	125,443	2,828	18,020	146,291
Salaries and benefits payable	1,780,747	-	-	1,780,747
Total liabilities	1,906,628	2,828	18,255	1,927,711
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	5,099,444	904,259	550,000	6,553,703
Income surtax	471,346	-	-	471,346
Total deferred inflows of resources	5,570,790	904,259	550,000	7,025,049
Fund balances:				
Nonspendable	55	-	37	92
Restricted for:				
Categorical funding	447,060	-	-	447,060
Debt service	-	787,478	667,853	1,455,331
School infrastructure	-	11,186,666	-	11,186,666
Physical plant and equipment levy	-	2,233,581	-	2,233,581
Management levy purposes	-	-	236,022	236,022
Student activities	-	-	269,451	269,451
Committed for instructional support levy	193,122	-	-	193,122
Unassigned	1,572,006	-	-	1,572,006
Total fund balances	2,212,243	14,207,725	1,173,363	17,593,331
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,689,661	15,114,812	1,741,618	26,546,091

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, 2014

Total fund balances of governmental funds (page 20)	\$	17,593,331
 <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.		5,913,513
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(129,439)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		976,732
Income surtax is not yet available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.		471,346
Long-term liabilities, including, revenue bonds payable, 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>(10,671,433)</u>
Net position of governmental activities (page 18)	\$	<u><u>14,154,050</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 5,260,775	1,135,924	325,164	6,721,863
Tuition	304,475	-	-	304,475
Other	262,499	324,881	418,220	1,005,600
Intermediate sources	12,009	-	-	12,009
State sources	9,612,098	1,387,710	225	11,000,033
Federal sources	657,814	-	-	657,814
TOTAL REVENUES	16,109,670	2,848,515	743,609	19,701,794
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,300,365	-	119,994	6,420,359
Special	2,736,368	-	-	2,736,368
Other	2,129,597	-	355,894	2,485,491
	11,166,330	-	475,888	11,642,218
Support services:				
Student	630,567	88,712	1,790	721,069
Instructional staff	539,452	-	3,354	542,806
Administration	1,637,444	1,000	14,270	1,652,714
Operation and maintenance of plant	1,248,962	68,522	115,700	1,433,184
Transportation	470,214	56,350	26,428	552,992
	4,526,639	214,584	161,542	4,902,765
Non-instructional programs:				
Food service operations	-	-	9,545	9,545
Capital outlay	-	367,744	-	367,744
Long-term debt:				
Interest and fiscal charges	-	-	122,248	122,248
Other expenditures:				
AEA flowthrough	669,154	-	-	669,154
TOTAL EXPENDITURES	16,362,123	582,328	769,223	17,713,674
Excess(Deficiency) of revenues over(under) expenditures	(252,453)	2,266,187	(25,614)	1,988,120
OTHER FINANCING SOURCES(USES):				
Transfer in	-	9,144,799	786,683	9,931,482
Transfer out	-	(9,931,482)	-	(9,931,482)
Sale of equipment	47,008	-	-	47,008
Premium on bond issuance	-	74,906	-	74,906
Revenue bond proceeds	-	10,000,000	-	10,000,000
Discount on bond issuance	-	(146,485)	-	(146,485)
TOTAL OTHER FINANCING SOURCES(USES)	47,008	9,141,738	786,683	9,975,429
Change in fund balances	(205,445)	11,407,925	761,069	11,963,549
Fund balances beginning of year	2,417,688	2,799,800	412,294	5,629,782
Fund balances end of year	\$ 2,212,243	14,207,725	1,173,363	17,593,331

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, 2014

Change in fund balances - total governmental funds (page 22)	\$	11,963,549
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>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 exceeded capital outlays in the current year as follows:</p>		
Capital outlay	\$ 384,824	
Depreciation expense	<u>(406,941)</u>	(22,117)
Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		(204,580)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.		(10,000,000)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(129,439)
Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		128,313
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	\$ (198,940)	
Compensated absences	(5,207)	
Other postemployment benefits	<u>(117,139)</u>	<u>(321,286)</u>
Change in net position of governmental activities (page 19)	\$	<u><u>1,414,440</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 228,314	1,227,097
Accounts receivable	411	-
Due from other governments	3,354	-
Interfund receivable	438	-
Inventories	22,170	-
Total current assets	<u>254,687</u>	<u>1,227,097</u>
Non-current assets:		
Capital assets, net of accumulated depreciation	75,311	-
TOTAL ASSETS	<u>329,998</u>	<u>1,227,097</u>
LIABILITIES		
Current liabilities:		
Due to other funds	4,606	-
Accounts payable	42	5,025
Salaries and benefits payable	60,799	16,440
Incurred but not reported claims	-	228,900
Unearned revenue	12,418	-
Total current liabilities	<u>77,865</u>	<u>250,365</u>
Noncurrent liabilities:		
Net OPEB liability	11,968	-
TOTAL LIABILITIES	<u>89,833</u>	<u>250,365</u>
NET POSITION		
Net investment in capital assets	75,311	-
Unrestricted	164,854	976,732
TOTAL NET POSITION	<u>\$ 240,165</u>	<u>976,732</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, 2014

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 343,795	-
Miscellaneous	1,655	2,132,603
TOTAL OPERATING REVENUES	345,450	2,132,603
OPERATING EXPENSES:		
Support services:		
Administration:		
Salaries	17,391	-
Benefits	10,827	-
Services	2,418	2,010,856
Operation and maintenance of plant:		
Services	11,273	-
Supplies	6,060	-
TOTAL SUPPORT SERVICES	47,969	2,010,856
Non-instructional programs:		
Food service operations:		
Salaries	313,102	-
Benefits	101,742	-
Supplies	423,522	-
Depreciation	11,993	-
TOTAL NON-INSTRUCTIONAL PROGRAMS	850,359	-
TOTAL OPERATING EXPENSES	898,328	2,010,856
OPERATING INCOME(LOSS)	(552,878)	121,747
NON-OPERATING REVENUES:		
State sources	8,081	-
Federal sources	580,432	-
Interest on investments	845	6,566
TOTAL NON-OPERATING REVENUES	589,358	6,566
Increase in net position	36,480	128,313
Net position beginning of year	203,685	848,419
Net position end of year	\$ 240,165	976,732

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2014

	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	\$ 343,192	-
Cash received from miscellaneous operating activities	1,655	2,139,543
Cash payments to employees for services	(441,572)	(54,117)
Cash payments to suppliers for goods or services	(383,161)	(1,937,744)
Net cash provided by(used in) operating activities	<u>(479,886)</u>	<u>147,682</u>
Cash flows from non-capital financing activities:		
Repayment to the General Fund	(564)	-
State grants received	8,081	-
Federal grants received	524,768	-
Net cash provided by non-capital financing activities	<u>532,285</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,629)	-
Cash flows from investing activities:		
Interest on investments	845	6,566
Net increase(decrease) in cash and cash equivalents	51,615	154,248
Cash and cash equivalents at beginning of year	176,699	1,072,849
Cash and cash equivalents at end of year	<u>\$ 228,314</u>	<u>1,227,097</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (552,878)	121,747
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	55,624	-
Depreciation	11,993	-
Decrease in inventories	4,446	-
Increase in accounts receivable	(411)	6,940
Increase in incurred but not reported claims	-	10,050
Increase in accounts payable	42	5,025
Increase(Decrease) in salary and benefits payable	(2,646)	3,920
Increase in other postemployment benefits	4,136	-
Decrease in unearned revenue	(192)	-
Net cash provided by(used in) operating activities	<u>\$ (479,886)</u>	<u>147,682</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$55,624.

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Private Purpose</u>	
	<u>Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 246,339	2,679
Interest receivable	78	-
TOTAL ASSETS	<u>246,417</u>	<u>2,679</u>
LIABILITIES		
Accounts payable	-	-
Due to other groups	-	2,679
TOTAL LIABILITIES	<u>-</u>	<u>2,679</u>
NET POSITION		
Restricted for scholarships	<u>\$ 246,417</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014

	Private Purpose Trust Scholarship
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 2,700
Interest income	1,938
TOTAL ADDITIONS	4,638
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	13,225
Change in net position	(8,587)
Net position beginning of year	255,004
Net position end of year	\$ 246,417

SEE NOTES TO FINANCIAL STATEMENTS

CHARLES CITY COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment 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. Enabling legislation did not result in any restricted net position.

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 proprietary funds:

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

The Internal Service Fund is used to account for the 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 is 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, Deferred Inflows of Resources 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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.

Prepaid Expenses - The District prepaid expenses from the General Fund for instructional supplies and from the Student Activity Fund for a diploma cover.

Deferred Inflows of Resources - 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 inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred 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 inflows of resources 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, 2014. 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.

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, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$11,124 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, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	Student Activity	\$ 235
General	Nutrition	4,606
Nutrition	General	438
Total		<u>\$ 5,279</u>

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

The Student Activity Fund is repaying the General Fund for mileage billings that were not repaid before year end.

The General Fund is repaying the Nutrition Fund for maintenance expenses.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Capital Projects: Middle School Project	Capital Projects: Statewide Sales, Services and Use Tax	\$ 9,144,799
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	786,683
Total		<u>\$ 9,931,482</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to Capital Projects: Middle School Project Fund was to transfer revenue bond proceeds for new construction.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for payment of interest and sinking requirements on the Districts revenue bonded indebtedness.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 316,000	-	-	316,000
Construction in progress	11,716	211,821	14,156	209,381
Total capital assets not being depreciated	<u>327,716</u>	<u>211,821</u>	<u>14,156</u>	<u>525,381</u>
Capital assets being depreciated:				
Buildings	11,992,981	14,156	-	12,007,137
Machinery and equipment	2,390,078	173,003	81,276	2,481,805
Total capital assets being depreciated	<u>14,383,059</u>	<u>187,159</u>	<u>81,276</u>	<u>14,488,942</u>
Less accumulated depreciation for:				
Buildings	7,064,838	249,752	-	7,314,590
Machinery and equipment	1,710,307	157,189	81,276	1,786,220
Total accumulated depreciation	<u>8,775,145</u>	<u>406,941</u>	<u>81,276</u>	<u>9,100,810</u>
Total capital assets being depreciated, net	<u>5,607,914</u>	<u>(219,782)</u>	<u>-</u>	<u>5,388,132</u>
Governmental activities capital assets, net	<u>\$ 5,935,630</u>	<u>(7,961)</u>	<u>14,156</u>	<u>5,913,513</u>
Business type activities:				
Machinery and equipment	\$ 531,276	1,629	2,163	530,742
Less accumulated depreciation	445,601	11,993	2,163	455,431
Business type activities capital assets, net	<u>\$ 85,675</u>	<u>(10,364)</u>	<u>-</u>	<u>75,311</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 20,021
Other	6,834
Support services:	
Student services	13,737
Instructional staff	10,999
Administration	7,366
Operation and maintenance of plant	20,464
Transportation	77,768
	<u>157,189</u>
Unallocated depreciation	<u>249,752</u>
Total governmental activities depreciation expense	<u>\$ 406,941</u>
Business type activities:	
Food services	<u>\$ 11,993</u>

Note 6. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
Termination Benefits	\$ 92,130	250,000	51,060	291,070	285,520
Revenue Bonds	-	10,000,000	-	10,000,000	535,000
Compensated Absences	36,167	41,374	36,167	41,374	41,374
Net OPEB Liability	221,850	117,139	-	338,989	-
Total	\$ 350,147	10,408,513	87,227	10,671,433	861,894
<u>Business Type Activities:</u>					
Net OPEB Liability	\$ 7,832	4,136	-	11,968	-

Termination Benefits

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.

The District offered a one year voluntary early retirement plan to its full-time employees. Eligible employees must be at least fifty-five years old and have completed at least fifteen years of full-time service with the District. Employees must complete an application which is subject to approval by the Board of Education. The benefit will be a \$25,000 payment to an employer sponsored 403(b) plan to be made in one installment on or before January 20 of the year after the employee retires from the District.

At June 30, 2014, the District has obligations to seventeen participants with a total liability of \$291,070. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$51,060. 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.

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 11, 2013				
	Interest Rate	Principal	Interest	Total	
2015	2.00 %	\$ 535,000	253,528	788,528	
2016	2.00	535,000	242,827	777,827	
2017	2.00	550,000	231,978	781,978	
2018	2.00	560,000	220,877	780,877	
2019	2.00	570,000	209,578	779,578	
2020-2024	2.00-2.65	3,035,000	861,528	3,896,528	
2025-2029	2.85-3.40	3,455,000	420,470	3,875,470	
2030	3.50	760,000	13,300	773,300	
Total		\$ 10,000,000	2,454,086	12,454,086	

The District has pledged future statewide sales, services and use tax revenues to repay the \$10,000,000 of bonds issued in July 2013. The bonds were issued for the purpose of financing construction of a new building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 57% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$12,454,086. For the current year \$112,248 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,387,166.

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

- a) \$787,478 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) The District makes monthly transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund to a revenue account that is held by the bonding agent.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Note 7. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug and dental benefits for employees, 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 219,222
Interest on net OPEB obligation	5,742
Adjustment to annual required contribution	(20,964)
Annual OPEB cost	204,000
Contributions made	(82,725)
Increase in net OPEB obligation	121,275
Net OPEB obligation beginning of year	229,682
Net OPEB obligation end of year	\$ 350,957

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, 2014.

For the year ended June 30, 2014, the District contributed \$82,725 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, 2014 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 117,753	77.9 %	\$ 103,944
2013	219,918	42.8	229,682
2014	204,000	40.6	350,957

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was approximately \$1.390 million with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.390 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9.152 million and the ratio of the UAAL to covered payroll was 15.19%. As of June 30, 2014, 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 \$532 per month; 95% plan for family for \$1,337 per month; and 100% plan for single for \$555 per month, and 100% plan for Family for \$1,395 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 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$938,104, \$884,092 and \$786,836, 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, 2014, the plan balance was \$976,732. The incurred but unpaid claims liability of \$228,900 reported in the plan at June 30, 2014, 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 \$669,154 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District’s restricted balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 70,638
Gifted and talented	83,039
Dropout and dropout prevention	56,481
Nonpublic textbook services	3,845
Four-year old state voluntary preschool	33,739
Professional development for model core curriculum	113,333
Professional development	41,739
Market factor incentives	11,320
Successful progression for early readers	23,316
Teacher leadership grants	9,610
Total	<u>\$ 447,060</u>

Note 12. 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, 2014 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.

Note 13. Construction Commitments

At the year ended June 30, 2014, the District has architectural fees of \$209,381 as construction in progress for the construction of an addition to the Middle School Building. Once the project is complete, the total cost of the project will be added to the District's capital assets listing.

Note 14. Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Invested in Capital Assets	Debt Service	Management Levy	School Infrastructure	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$	1,455,331	236,022	11,186,666	1,572,006
Invested in capital assets, net of accumulated depreciation	5,913,513	-	-	-	-
Revenue bond capitalized indebtedness	(1,091,060)	-	-	(8,908,940)	-
Accrued interest payable	-	(129,439)	-	-	-
Termination benefits payable	-	-	(236,022)	-	(55,048)
Income surtax	-	-	-	-	471,346
Internal service fund	-	-	-	-	976,732
Compensated absences	-	-	-	-	(41,374)
Net OPEB liability	-	-	-	-	(338,989)
Nonspendable	-	-	-	-	92
Committed for instructional support levy	-	-	-	-	193,122
Net position (Exhibit A)	\$ 4,822,453	1,325,892	-	2,277,726	2,777,887

Note 15. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Charles City Community School District

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, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,031,938	346,295	8,378,233	9,596,910	9,596,910	(1,218,677)
Intermediate sources	12,009	-	12,009	-	-	12,009
State sources	11,000,033	8,081	11,008,114	9,793,720	9,793,720	1,214,394
Federal sources	657,814	580,432	1,238,246	1,197,000	1,197,000	41,246
Total revenues	19,701,794	934,808	20,636,602	20,587,630	20,587,630	48,972
Expenditures/Expenses:						
Instruction	11,642,218	-	11,642,218	12,200,000	12,200,000	557,782
Support services	4,902,765	47,969	4,950,734	5,355,415	5,355,415	404,681
Non-instructional programs	9,545	850,359	859,904	980,000	980,000	120,096
Other expenditures	1,159,146	-	1,159,146	4,933,467	4,933,467	3,774,321
Total expenditures/expenses	17,713,674	898,328	18,612,002	23,468,882	23,468,882	4,856,880
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,988,120	36,480	2,024,600	(2,881,252)	(2,881,252)	4,905,852
Other financing sources, net	9,975,429	-	9,975,429	1,500	1,500	9,973,929
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/ expenses	11,963,549	36,480	12,000,029	(2,879,752)	(2,879,752)	14,879,781
Balance beginning of year	5,629,782	203,685	5,833,467	6,111,343	6,111,343	(277,876)
Balance end of year	\$ 17,593,331	240,165	17,833,496	3,231,591	3,231,591	14,601,905

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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
2014	July 1, 2012	-	1,390	1,390	0.0	9,152	15.2

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, 2014

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 231,652	287,706	519,358	664,439	1,183,797
Receivables:					
Property tax:					
Delinquent	4,368	-	4,368	-	4,368
Succeeding year	550,000	-	550,000	-	550,000
Interest	-	-	-	3,414	3,414
Due from other governments	2	-	2	-	2
Prepaid expenses	-	37	37	-	37
TOTAL ASSETS	\$ 786,022	287,743	1,073,765	667,853	1,741,618
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$	235	235	-	235
Accounts payable	-	18,020	18,020	-	18,020
Total liabilities	-	18,255	18,255	-	18,255
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	550,000	-	550,000	-	550,000
Fund balances:					
Nonspendable	-	37	37	-	37
Restricted for:					
Debt service	-	-	-	667,853	667,853
Management levy purposes	236,022	-	236,022	-	236,022
Student activities	-	269,451	269,451	-	269,451
Total fund balances	236,022	269,488	505,510	667,853	1,173,363
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 786,022	287,743	1,073,765	667,853	1,741,618

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, 2014

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 325,164	-	325,164	-	325,164
Other	22,179	392,623	414,802	3,418	418,220
State sources	225	-	225	-	225
TOTAL REVENUES	347,568	392,623	740,191	3,418	743,609
EXPENDITURES:					
Current:					
Instruction					
Regular	119,994	-	119,994	-	119,994
Other	-	355,894	355,894	-	355,894
Support services:					
Student	1,790	-	1,790	-	1,790
Instructional staff	3,354	-	3,354	-	3,354
Administration	13,123	1,147	14,270	-	14,270
Operation and maintenance of plant	115,700	-	115,700	-	115,700
Transportation	19,320	7,108	26,428	-	26,428
Non-instructional programs:					
Food service operations	9,545	-	9,545	-	9,545
Other expenditures:					
Long-term debt:					
Interest and fiscal charges	-	-	-	122,248	122,248
TOTAL EXPENDITURES	282,826	364,149	646,975	122,248	769,223
Excess(Deficiency) of revenues over(under) expenditures	64,742	28,474	93,216	(118,830)	(25,614)
OTHER FINANCING SOURCES:					
Transfer in	-	-	-	786,683	786,683
Change in fund balances	64,742	28,474	93,216	667,853	761,069
Fund balances beginning of year	171,280	241,014	412,294	-	412,294
Fund balances end of year	\$ 236,022	269,488	505,510	667,853	1,173,363

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Middle School Project Fund	
ASSETS				
Cash and pooled investments	\$ 2,554,516	2,225,692	8,908,940	13,689,148
Receivables:				
Property tax:				
Delinquent	-	10,712	-	10,712
Succeeding year	-	904,259	-	904,259
Due from other governments	510,688	5	-	510,693
TOTAL ASSETS	\$ 3,065,204	3,140,668	8,908,940	15,114,812
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	2,828	-	2,828
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	-	904,259	-	904,259
Fund balances:				
Restricted for:				
Debt service	787,478	-	-	787,478
School infrastructure	2,277,726	-	8,908,940	11,186,666
Physical plant and equipment levy	-	2,233,581	-	2,233,581
Total fund balances	3,065,204	2,233,581	8,908,940	14,207,725
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,065,204	3,140,668	8,908,940	15,114,812

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, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Middle School Project Fund	
REVENUES:				
Local sources:				
Local tax	\$ -	1,135,924	-	1,135,924
Other	14,044	283,808	27,029	324,881
State sources	1,387,166	544	-	1,387,710
TOTAL REVENUES	1,401,210	1,420,276	27,029	2,848,515
EXPENDITURES:				
Current:				
Support services:				
Student	-	88,712	-	88,712
Administration	1,000	-	-	1,000
Operation and maintenance of plant	-	68,522	-	68,522
Transportation	-	56,350	-	56,350
Capital outlay	75,570	29,286	262,888	367,744
TOTAL EXPENDITURES	76,570	242,870	262,888	582,328
Excesss(Deficiency) of revenues over(under) expenditures	1,324,640	1,177,406	(235,859)	2,266,187
OTHER FINANCING SOURCES(USES):				
Transfer in	-	-	9,144,799	9,144,799
Transfer out	(9,931,482)	-	-	(9,931,482)
Premium on revenue bond issuance	74,906	-	-	74,906
Revenue bond issuance	10,000,000	-	-	10,000,000
Discount on revenue bond issuance	(146,485)	-	-	(146,485)
TOTAL OTHER FINANCING SOURCES(USES)	(3,061)	-	9,144,799	9,141,738
Change in fund balances	1,321,579	1,177,406	8,908,940	11,407,925
Fund balances beginning of year	1,743,625	1,056,175	-	2,799,800
Fund balances end of year	\$ 3,065,204	2,233,581	8,908,940	14,207,725

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, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
COMET DRAMA	\$ 7,054	16,970	15,608	53	8,469
SPEECH CLUB	502	1,524	1,112	6	920
HS MUSICAL	3,924	-	-	24	3,948
CHIOR ROBES	656	66	548	1	175
GENERAL VOCAL ACTIVITY	16,085	340	384	99	16,140
MIDDLE SCHOOL MUSICAL	10,523	-	-	65	10,588
MARCHING BAND	11,321	49,858	52,251	55	8,983
JAZZ BAND	352	684	427	7	616
INSTRUMENTAL MUSIC	3,899	-	1,157	739	3,481
HS ORCHESTRA	1,551	40	452	7	1,146
MS BAND/ORCHESTRA	1,167	8,737	7,518	15	2,401
BAND FEES	167	184	146	1	206
ATHLETIC FUND	49,768	140,683	91,749	-	98,702
GIRLS TRACK	1,759	250	683	8	1,334
GIRLS CROSS COUNTRY	463	520	520	3	466
BOYS CROSS COUNTRY	11	442	435	-	18
SPORTSMAN'S PARK	18,047	17,133	5,469	(20,895)	8,816
CONCESSION STAND	31,792	51,029	78,843	21,104	25,082
BOWLING	-	100	-	1	101
BOYS BASKETBALL	1,088	1,968	1,372	10	1,694
FOOTBALL CLUB	4,787	5,000	9,266	3	524
BASEBALL CLUB	14,354	1,370	776	92	15,040
BOYS TRACK	1,107	280	1,052	2	337
BOYS GOLF	2,200	-	-	14	2,214
HS WRESTLING	48	1,008	1	7	1,062
GIRLS BASKETBALL	6,686	3,153	2,354	46	7,531
VOLLEYBALL FUND	1,261	327	556	6	1,038
GIRLS TENNIS	335	-	-	2	337
GIRLS GOLF	38	-	-	-	38
GIRLS SWIMMING CLUB	826	-	-	5	831
HS CHEERLEADERS	3,019	4,458	4,585	18	2,910
ANNUAL	5,244	18,315	15,609	49	7,999
ART CLUB	-	2,637	2,452	3	188
INFORMATION TECH CLUB	48	195	175	-	68
ALTERNATIVE HS ANNUAL	9	512	513	-	8
FUTURE BUSINESS LEADERS	-	1,624	1,506	-	118
FFA	5,396	36,225	35,575	37	6,083
GERMAN CLUB	5,987	6,801	11,023	11	1,776
SCHOOL IMPROVEMENT ASSISTANCE	4,980	2,120	1,898	1,253	6,455
SENIOR FEE	1	5,555	5,427	1	130
CLASS OF 2013	1,243	-	-	(1,243)	-
CLASS OF 2014	1,779	-	633	7	1,153
CLASS OF 2015	101	4,627	4,758	30	-
CLASS OF 2016	101	-	-	1	102
INDUSTRIAL TECHNOLOGY	717	-	-	4	721
FCS CLUB	1,190	-	-	7	1,197
FCCLA	2,336	1,664	2,029	12	1,983
MS ANNUAL	3,448	1,245	1,305	21	3,409
MS STUDENT COUNCIL	3,180	3,209	3,982	15	2,422
MS BAND UNIFORM	7,169	-	-	44	7,213
POOL SUPPORT	3,295	-	-	20	3,315
INTEREST	-	1,770	-	(1,770)	-
TOTALS	\$ 241,014	392,623	364,149	-	269,488

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2014

	Governmental Activities:		
	Internal Service Funds		
	Medical	Flex	Total
ASSETS			
Cash and pooled investments	\$ 1,210,657	16,440	1,227,097
LIABILITIES			
Accounts payable	5,025	-	5,025
Salaries and benefits payable	-	16,440	16,440
Incurred but not reported claims	228,900	-	228,900
TOTAL LIABILITIES	233,925	16,440	245,340
NET POSITION	\$ 976,732	-	981,757

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, 2014

	Governmental Activities: Internal Service Funds		
	Medical	Flex	Total
OPERATING REVENUES:			
Local sources:			
Miscellaneous	\$ 2,074,566	58,037	2,132,603
OPERATING EXPENSES:			
Support services:			
Administration:			
Services	1,952,819	58,037	2,010,856
OPERATING INCOME	121,747	-	121,747
NON-OPERATING REVENUES:			
Interest income	6,566	-	6,566
Change in net position	128,313	-	128,313
Net position beginning of year	848,419	-	848,419
Net position end of year	\$ 976,732	-	976,732

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	\$ 2,081,506	58,037	2,139,543
Cash payments to employees for services	-	(54,117)	(54,117)
Cash payments to suppliers for goods or services	(1,937,744)	-	(1,937,744)
Net cash provided by operating activities	<u>143,762</u>	<u>3,920</u>	<u>147,682</u>
Cash flows from investing activities:			
Interest on investments	6,566	-	6,566
Net increase in cash and cash equivalents	150,328	3,920	154,248
Cash and cash equivalents at beginning of year	<u>1,060,329</u>	<u>12,520</u>	<u>1,072,849</u>
Cash and cash equivalents at end of year	<u>\$ 1,210,657</u>	<u>16,440</u>	<u>1,227,097</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 121,747	-	121,747
Adjustments to reconcile operating income to net cash provided by operating activities:			
Decrease in accounts receivable	6,940	-	6,940
Increase in incurred but not reported claims	10,050	-	10,050
Increase in accounts payable	5,025	-	5,025
Increase in salaries and benefits payable	-	3,920	3,920
Net cash provided by operating activities	<u>\$ 143,762</u>	<u>3,920</u>	<u>147,682</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, 2014**

	Private Purpose Trust - Scholarship										
	Davis Scholarship	Debes Scholarship	Hagman Scholarship	Koenigsfeld Scholarship	Koebrick Scholarship	Santee Scholarship	Miller Scholarship	Aspenwal Scholarship	Rodenbeck Scholarship	Miscellaneous Annual	Total
ASSETS											
Cash and pooled investments	\$ 35,543	25,792	15,110	17,967	129,890	12,212	4,563	3,899	107	1,256	246,339
Interest receivable	3	18	11	25	10	10	1	-	-	-	78
TOTAL ASSETS	35,546	25,810	15,121	17,992	129,900	12,222	4,564	3,899	107	1,256	246,417
LIABILITIES	-	-	-	-	-	-	-	-	-	-	-
NET POSITION											
Restricted for scholarships	\$ 35,546	25,810	15,121	17,992	129,900	12,222	4,564	3,899	107	1,256	246,417

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, 2014

	Private Purpose Trust - Scholarship Fund											Total	
	Davis	Debes	Hagman	Koenigsfeld	Koebrick	Santee	Miller	Aspenwal	Rodenbeck	Miscellaneous	Annual		Activities
	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship			
ADDITIONS:													
Local sources:													
Gifts and contributions	\$ -	-	-	-	-	-	-	-	-	-	2,700	-	2,700
Interest income	237	348	207	215	669	222	30	-	-	10	-	-	1,938
TOTAL ADDITIONS	237	348	207	215	669	222	30	-	-	2,710	-	-	4,638
DEDUCTIONS:													
Instruction:													
Regular:													
Scholarships awarded	630	675	195	2,500	5,807	325	-	-	-	2,900	193	-	13,225
Change in net position	(393)	(327)	12	(2,285)	(5,138)	(103)	30	-	-	(190)	(193)	-	(8,587)
Net position beginning of year	35,939	26,137	15,109	20,277	135,038	12,325	4,534	3,899	107	1,446	193	-	255,004
Net position end of year	\$ 35,546	25,810	15,121	17,992	129,900	12,222	4,564	3,899	107	1,256	-	-	246,417

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, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 3,047	27,721	28,089	2,679
LIABILITIES				
Accounts payable	437	-	437	-
Due to other groups	2,610	27,721	27,652	2,679
TOTAL LIABILITIES	\$ 3,047	27,721	28,089	2,679

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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 6,721,863	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
Tuition	304,475	311,436	374,700	309,235	326,961	348,519	312,904	396,504	460,364	459,662
Other	1,005,600	671,799	713,205	811,234	667,496	597,161	1,685,467	1,682,809	1,534,559	1,522,336
Intermediate sources	12,009									
State sources	11,000,033	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
Federal sources	657,814	665,053	685,712	1,292,799	1,881,828	857,927	693,981	635,238	616,115	747,219
Total	\$ 19,701,794	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
Expenditures:										
Instruction:										
Regular	\$ 6,420,359	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
Special	2,736,368	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
Other	2,485,491	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
Support services:										
Student	721,069	569,054	522,673	515,715	535,423	517,097	493,054	455,475	383,759	388,134
Instructional staff	542,806	584,254	669,982	794,983	1,006,347	643,351	619,841	645,251	527,392	504,465
Administration	1,652,714	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
Operation and maintenance of plant	1,433,184	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
Transportation	552,992	483,613	533,537	542,626	489,317	468,449	472,789	458,751	435,304	450,365
Non-instructional programs	9,545	8,582	7,942	10,193	10,470	10,372	28,421	9,210	10,392	6,257
Capital outlay	367,744	427,902	1,926,871	646,726	842,263	707,028	834,063	1,045,763	1,547,041	399,303
Long-term debt:										
Principal	-	-	-	-	250,000	240,000	225,000	215,000	205,000	210,157
Interest and fiscal charges	122,248	-	-	-	13,750	26,710	40,537	50,143	61,828	73,381
Other expenditures:										
AEA flow-through	669,154	627,053	636,252	701,884	698,523	600,931	577,604	543,828	503,072	501,216
Total	\$ 17,713,674	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2014

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 14	93,890
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	468,289 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 14	3,354
			<u>565,533</u>
CHILD AND ADULT FOOD CARE PROGRAM	10.558	FY 14	<u>14,899</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1116-G	331,405
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1116-GC	18,166
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES(SINA)	84.010	FY 14	7,008
			<u>356,579</u>
REHABILITATION SERVICES - VOCATIONAL REHABILITATION GRANTS TO STATES	84.126	FY 14	<u>24,451</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 14	<u>33</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 14	<u>75,707</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 14	<u>8,613</u>
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	FY13	650
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	FY 14	170
			<u>820</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 14	<u>84,399</u>
MASON CITY COMMUNITY SCHOOL DISTRICT:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	<u>19,998</u>
TOTAL			<u>\$ 1,151,032</u>

* Includes \$55,624 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 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.

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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies.

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.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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.

December 19, 2014
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

**Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control over Compliance
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, 2014. 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 of the major federal programs. 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, 2014.

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 a deficiency in internal control over compliance that we consider to be a significant deficiency.

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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-14 to be a significant deficiency.

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.

December 19, 2014
Newton, Iowa

CHARLES CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) No material weaknesses or significant deficiencies in internal control over financial reporting were 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 significant deficiency 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 Programs:***
 - 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

 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies - SINA
- (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, 2014

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

School Nutrition Cluster:

CFDA Number 10.553: School Breakfast Program

CFDA Number 10.555: National School Lunch Program

CFDA Number 10.559: Summer Food Service Program for Children

Federal Award Year: 2014

U.S. Department of Agriculture

Passed through the Iowa Department of Education

Title I Cluster:

CFDA Number 84.010: Title I - Grants to Local Educational Agencies

CFDA Number 84.010: Title I - Grants to Local Educational Agencies - SINA

Federal Award Year: 2014

U.S. Department of Education

Passed through the Iowa Department of Education

III-A-14 Free and Reduced Lunch Applications - We noted instances of free and reduced lunch (2014-001) applications not being determined properly according to the guidelines released by the Iowa Department of Education.

Recommendation - The District should review the policies and procedures for determining free and reduced lunch applications to ensure compliance with Iowa Department of Education guidelines.

Response - The District will review policies and procedures for determining free and reduced lunch application and take steps to ensure compliance with Iowa Department of Education guidelines in the future.

Conclusion - Response accepted.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amounts budgeted.

IV-B-14 Questionable Disbursements - We noted during our audit that the District purchased gift cards to be used as FBLA Field Goal Kicks Prizes. Gift cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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

Response - The District will review our procedures to ensure compliance in the future.

Conclusion - Response accepted.

IV-C-14 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. We did note instances of mileage reimbursements not following the guidelines set by Board policy number 401.7.

Recommendation - The District should review the procedures in place to ensure compliance with the Board policy number 401.7.

Response - The District will review the procedures in place to ensure compliance in the future.

Conclusion - Response accepted.

IV-D-14 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board

IV-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

IV-H-14 Supplementary Weighting - We noted the supplementary weighting data certified to the Iowa Department of Education was understated by 6.9916 students.

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

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

Conclusion - Response accepted.

- IV-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,743,625
Revenues:		
Sales tax revenues	\$ 1,387,166	
Other local revenues	14,044	
Revenue bond issuance	10,000,000	
Premium on revenue bond issuance	74,906	
Total revenues	<u>11,476,116</u>	<u>11,476,116</u>
Expenditures/transfers out:		
School infrastructure construction	61,891	
Discount of revenue bond issuance	146,485	
Other	14,679	
Transfers to other funds		
Debt service fund	786,683	
Middle school project fund	9,144,799	10,154,537
Ending balance		<u><u>\$ 3,065,204</u></u>

For the year ended June 30, 2014 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-L-14 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

Questionable Accounts: The Choir Robes, Band Fee, Senior Fee, MS Band Uniforms and Pool Support accounts do not appear to be extracurricular or cocurricular in nature.

Recommendation - The District should review the propriety of revenues and expenditures that are recorded in these accounts. It would appear that these accounts are administratively maintained, rather than by a club or organization. The District should review these accounts and reclassify/transfer to the appropriate accounts in the Student Activity Fund to be in compliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281.12.6(1).

Response - The accounts will be reclassified/transferred to an appropriate account in the general fund or activity fund.

Conclusion - Response accepted.